Profit Announcement

For the half year ended
31 December 2022

ASX Appendix 4D **Results for announcement to the market** [1] **Report for the half year ended 31 December 2022**	$M	
Revenue from ordinary activities [2, 3]	**13,948**	**up 15%**
Profit/(loss) from ordinary activities after tax attributable to Equity holders	**5,145**	**down 12%**
Net profit/(loss) for the period attributable to Equity holders	**5,145**	**down 12%**
Dividends (distributions)		
Interim dividend - fully franked (cents per share)		**210**
Record date for determining entitlements to the dividend		**23 February 2023**

1 Australian Securities Exchange (ASX) Listing Rule 4.2A.3.

2 Information has been presented on a continuing operations basis.

3 Represents total net operating income before operating expenses and impairment.

The release of this announcement was authorised by the Board.

Commonwealth Bank of Australia I Media Release 004/2023 I ACN 123 123 124 I Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000 I 15 February 2023.

This half year report is provided to the ASX under Rule 4.2A. Refer to Appendix 4.2 ASX Appendix 4D for disclosures required under ASX Listing Rules.

This report should be read in conjunction with the 30 June 2022 Annual Financial Report of the Commonwealth Bank of Australia and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

Except where otherwise stated, all figures relate to the half year ended 31 December 2022. The term “prior comparative period” refers to the half year ended 31 December 2021, while the term “prior half” refers to the half year ended 30 June 2022.

Important dates for shareholders

Half year results announcement	**15 February 2023**
Ex-dividend date	**22 February 2023**
Record date	**23 February 2023**
Last date to change participation in DRP	**24 February 2023**
Interim dividend payment date	**30 March 2023** [1]
Full Year Results Announcement	**9 August 2023**

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ASX Announcement

ASX Announcement

1H23 Results

For the half year ended 31 December 2022[1]

Customer focus and disciplined strategic execution delivering strong financial performance

Net profit after tax

$5,216m

Statutory NPAT

↑ 10% on 1H22

$5,153m

Cash NPAT

↑ 9% on 1H22

Net profit after tax (NPAT) increased, supported by growth in net interest income, partly offset by higher operating costs and loan impairment expense.

Pre-provision profit

$7,820m

↑ 18% on 1H22

Our pre-provision profit is up 18% reflecting disciplined strategic execution, consistent operational performance and the recovery in net interest margins.

Net interest margin (NIM)

2.10%

↑ 23bpts on 2H22

↑ 18bpts on 1H22

Recovery in margins due to rising rate environment, partly offset by competitive pricing pressure.

Dividend

$2.10

Per share, fully franked

↑ 20% on 1H22

The interim dividend was $2.10 per share, fully franked, reflecting the Bank's continued capital and balance sheet strength. This represents a payout ratio of 69% (~70% normalising for long run loan loss rates), in line with the Board's target payout ratio.

Common Equity Tier 1 capital ratio (CET1)

11.4%

APRA (Level 2)[2]

↓ 10bpts on Jun 22

The Bank maintained a strong capital position after the payment of dividends and on-market buy-backs. Excluding the impact from the payment of the 2022 final dividend and $1.3 billion of on-market share buy-backs, CET1 increased 88 basis points. The increase was primarily driven by organic capital generation from earnings. On an internationally comparable basis, CET1 was 18.5%.

Return on Equity (ROE)

14.1%

Cash basis

↑ 80bpts on 2H22

The Bank's return on equity ("cash basis") increased due to the impact of higher cash profit and our continued focus on reducing share-count over the period.

For footnotes see the page viii of this ASX Announcement.

Results overview

Continued customer focus, delivering for shareholders

Chief Executive Officer, Matt Comyn

Our strategic focus on building tomorrow's bank today for our customers is illustrated by CBA's leading customer advocacy scores. We continue to invest in our technology and businesses to improve our customers' lived experience and solve their unmet needs. This focus is a key driver of strong organic growth across all of our businesses.

Higher interim cash profits were a result of volume growth and the recovery in our margins as cash rates rise from historic lows. The result was further supported by sound portfolio credit quality.

Our continued balance sheet strength and capital position creates flexibility to support our customers and manage potential economic headwinds, while delivering predictable and sustainable returns to shareholders.

As a result, a higher interim dividend of $2.10 per share, fully franked, has been determined. We continue our long-term approach to capital management by announcing an intention to increase our on-market share buy-back by an additional $1 billion.

Key financials

For the half year ended 31 December 2022.

- **Statutory NPAT**[1] was $5,216 million, up 10%.
- **Cash NPAT** of $5,153 million was 9% higher reflecting strong operational performance, a rising rate environment and higher loan loss provisioning.
- **Operating income** was $13,593 million, up 12%, driven by volume growth in our core products, a recovery in net interest margin, partly offset by a decrease in other operating income.
- **Net interest margin** was 2.10%, up by 18 basis points, mainly driven by higher earnings on deposits, replicated products and equity hedges in a rising rate environment, partly offset by increased competition.
- **Operating expenses** were $5,773 million, up 5%, driven by wage and supplier inflation, higher information technology costs and remediation, partly offset by productivity initiatives.
- **Loan impairment expense** increased by $586 million to $511 million reflecting ongoing inflationary pressures, rising interest rates, supply chain disruptions and decline in house prices.
- **Deposit funding** of 75%, as the Bank continued to satisfy a significant portion of its funding requirements from retail, business and institutional customer deposits.
- **Common Equity Tier 1** (CET1) capital ratio of 11.4% (Level 2, APRA). On 1 January 2023 this increased to 12.1% under APRA's revised capital framework.
- **Interim dividend** of $2.10 per share, fully franked.

Outlook Chief Executive Officer, Matt Comyn

We are conscious that many Australian households are feeling significant strain from rising interest rates, alongside the rising costs of electricity, groceries and other household items. Despite this, consumer spend remains resilient, with signs of spend slowing in pockets. The fundamentals of the economy remain solid, with low unemployment, strong exports, and returning migration.

Supporting our customers through rising rates and higher cost of living remains a priority and aligns with our purpose, to build a brighter future for all. We are providing personalised support, flexibility and financial assistance for our customers who need support.

We expect business credit growth to moderate and global economic growth to slow during 2023. However, we remain optimistic that a soft landing for the Australian economy can be achieved and positive on the medium-term outlook for Australia. The Bank remains well provisioned and capitalised to continue to support Australian households and businesses.

We are investing in our business to reinforce our customer propositions, extend our digital leadership and keep our customers safe from increasing frauds and scams.

Operating performance

Our businesses continued to perform well, delivering organic growth in home lending, business lending and deposits in a competitive environment.

Operating income

Operating income
Cash basis

$13,593m

1H22 $12,107m ↑ 12%

Net interest margin

2.10%

1H22 1.92% ↑ 18bpts
2H22 1.87% ↑ 23bpts

Net interest income increased 19%. This was primarily driven by a recovery in net interest margins and organic volume growth in home, business and institutional loans.

Net interest margin (NIM) was up 18 basis points. Excluding the 4 basis points reduction in margin from increased lower yielding liquid assets, NIM increased by 22 basis points, mainly from higher earnings on deposits, replicated products and equity hedges in a rising rate environment, partly offset by increasing competitive pressures and the impact of swap and cash rate on lending margins.

Other operating income decreased 17%. The key drivers were:

- Impact from divestments, including CommInsure General Insurance and Bank of Hangzhou;
- Lower equity accounted profits, and
- Reduced CommSec equities income.

These decreases were partly offset by:

- Increased volume driven foreign exchange, deposit and business banking fee income.

Operating expenses

Operating expenses
Cash basis

$5,773m

1H22 $5,490m ↑ 5%

Investment spend

$963m **(total spend)**

1H22 $945m ↑ 2%

Cost-to-income ratio
Cash basis

42.5%

1H22 45.3%

Operating expenses increased 5%, driven by higher staff, information technology and remediation costs, partly offset by productivity initiatives.

Staff expenses increased 5% reflecting wage inflation, a tight labour market and increased full-time equivalent staff, partly offset by higher leave usage.

The staff increases were due to additional resources for the delivery of strategic investment priorities and to support financial crime assessment volumes.

Occupancy and equipment expenses decreased 2% primarily driven by benefits from the consolidation of our property portfolios.

Information technology expenses increased 6% primarily due to inflation, increased software licensing and infrastructure costs, including increased cloud computing volumes, and higher amortisation.

Other expenses increased 5% primarily driven by increased travel and marketing costs, partly offset by productivity initiatives.

Remediation costs were $137 million.

Investment spend increased 2% primarily driven by an increase in productivity and growth initiatives, and growth in IT infrastructure and cyber security spend. This was partly offset by a reduction in risk and compliance spend.

The **cost-to-income** ratio was 42.5%.

Credit quality

We remain well provisioned as customers navigate through a challenging period of increased cost of living pressures and higher interest rates.

Loan impairment expense

Loan impairment

$511m

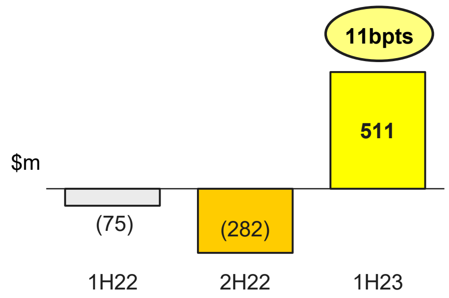
1H22 $75m (benefit)

Loan impairment expense was $511 million, an increase of $586 million, reflecting ongoing inflationary pressures, supply chain disruptions, rising interest rates and decline in house prices.

The loan loss rate increased 13 basis points to 11 basis points.

Loan Loss Rate (bpts)[1]

	1H22	2H22	1H23
Consumer	0	(15)	11
Corporate	(7)	16	13
Total	**(2)**	**(7)**	**11**



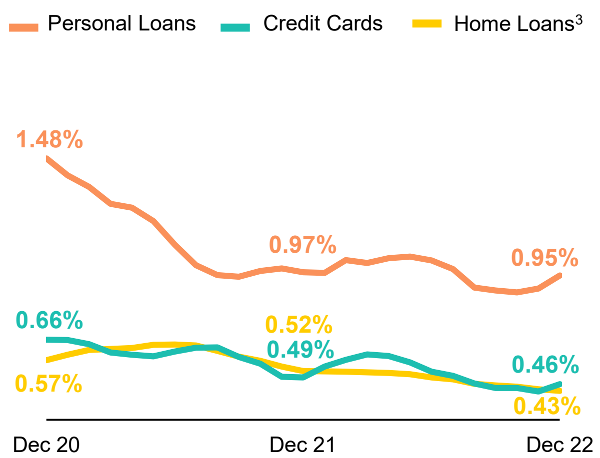
Portfolio credit quality

Consumer arrears remained low mainly due to a strong labour market and seasonal impacts such as the benefit of tax refunds.

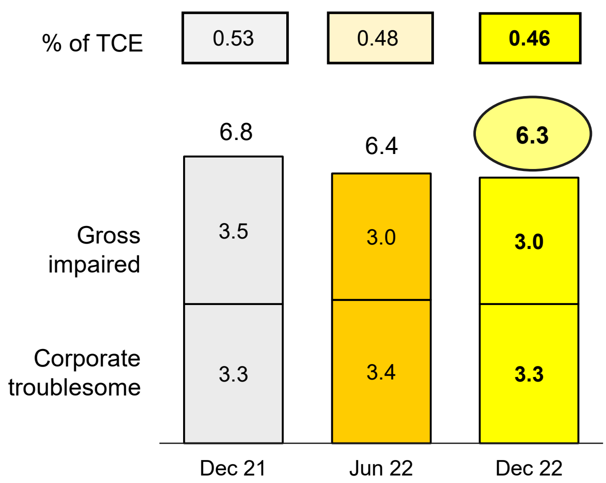
Troublesome and impaired assets decreased by $0.5 billion to $6.3 billion in 1H23. Corporate troublesome assets was flat over the year, but decreased by $0.1 billion over the half, mainly reflecting movements in single name exposures across several sectors.

Gross impaired assets decreased by $0.5 billion to $3.0 billion over the comparative period but broadly flat over the half.

Arrears[2] **>** 90 days (%)



Troublesome and Impaired Assets ($bn)



Balance sheet strength

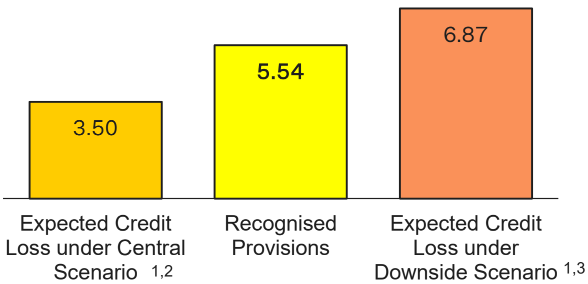
The Bank's disciplined approach to managing credit, funding and liquidity risks continued.

Loan impairment provisions

Our total impairment provisions increased $194 million to $5,541 million on the prior half. This was mainly driven by new collective provisions to reflect ongoing inflationary pressures, rising interest rates, supply chain disruptions and a decline in house prices, partly offset by lower individually assessed provisions.

Total provision coverage as a proportion of credit risk weighted assets was 1.38%. Loan loss provisions remain significantly higher than the credit losses expected under our central economic scenario.

Provisions and Scenarios ($bn)
Dec 22



Funding and liquidity

Deposit funding ratio

75%

Dec 21 73%

Liquidity coverage ratio[4]

131%

Dec 21 134%

Net stable funding ratio[5]

129%

Dec 21 131%

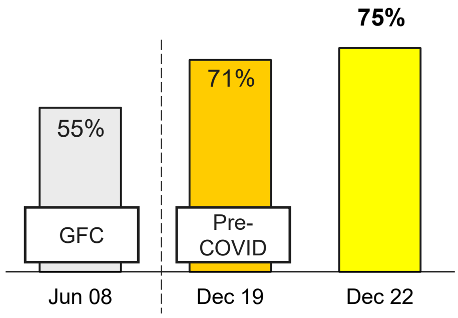
The Bank continued to satisfy a significant portion of its funding requirements from customer deposits, which account for 75% of total funding.

The average tenor of the long-term wholesale funding portfolio was 4.8 years (5.8 years excluding the Term Funding Facility). Long-term wholesale funding accounted for 71% of total wholesale funding.

The **liquidity coverage ratio (LCR)** was 131% which was well above the minimum regulatory requirement of 100%. After excluding the size of CBA's available Committed Liquidity Facility, the LCR was 126%.

The **net stable funding ratio** as at 31 December 2022 was 129%, well above the regulatory minimum of 100%.

Deposit Funding Ratio (%)



Delivering for shareholders

Our balance sheet strength means the Bank has flexibility to support our customers and manage potential headwinds, while continuing to return surplus capital to shareholders.

Capital

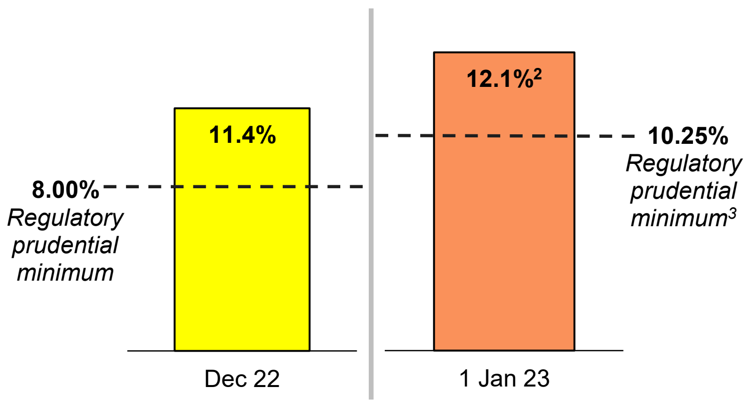
As at 31 December 2022, the Bank has maintained a strong capital position with a CET1 ratio of 11.4%, and a pro-forma CET1 ratio of 12.1% under APRA's revised capital framework effective from 1 January 2023, well in excess of regulatory minimums. CBA expects to operate with a post-dividend CET1 ratio of >11.0%, except in circumstances of unexpected capital volatility.

The Bank's CET1 ratio was supported by strong organic capital generation from earnings, the removal of the remaining $500 million of APRA operational risk capital add-on, and the divestment of our CommInsure General Insurance business.

As at 31 December 2022, $1.8 billion of the previously announced $2 billion on-market share buy-back has been completed, with the remainder expected to be completed after neutralising the impact of 1H23 Dividend Reinvestment Plan (DRP).

In light of CBA's strong capital position, CBA intends to increase the on-market share buy-back by an additional $1 billion[1]. On completion, the Bank's CET1 ratio is expected to reduce by approximately 25 basis points.

CET1 (APRA, Level 2)



Dividend

The Bank's capital position, strong capital generation and reduction in share count from share buy-backs continue to deliver strong and sustainable returns to shareholders.

An interim dividend of $2.10 per share, fully franked, was determined, an increase of 35 cents on the prior comparative period. The interim dividend payout ratio was 69% of the Bank's cash earnings, or ~70% after normalising for long run loan loss rates.

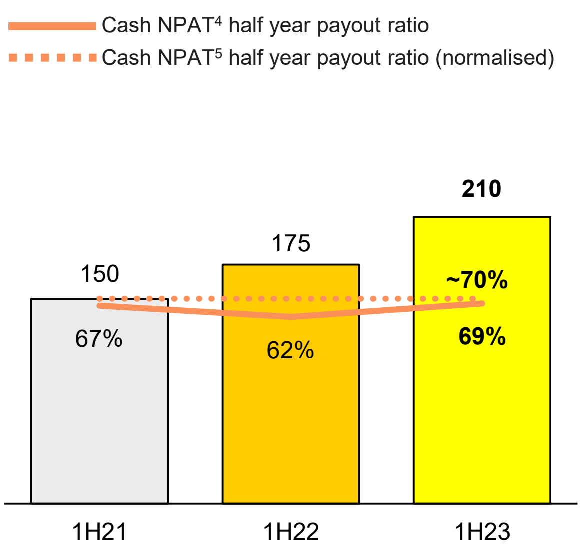
The Bank will continue to target a full year payout ratio of 70-80% of cash NPAT and an interim payout ratio of ~70% of cash NPAT.

The DRP continues to be offered to shareholders. No discount will be applied to shares allocated under the DRP for the interim dividend and it is anticipated to be satisfied in full by an on-market purchase of shares.

The ex-dividend date is 22 February 2023, the record date is 23 February 2023, the interim DRP participation date is 24 February 2023 and the interim dividend will be paid on or around 30 March 2023.

Sustainable Returns

Dividend per share (cents)



How we contribute to Australia

Supporting our customers, the community and the economy

Supporting customers and businesses to build a brighter future

- As Australia's largest home lender, we have funded $77 billion in new lending during 1H23;
- We are helping Australia's businesses by providing $18 billion in new business lending in 1H23;
- Since inception, our *Benefits finder* tool has connected customers to $1 billion in unclaimed benefits, rebates and concessions;
- As Australia's leading bank for savings, we hold over 25% of all household deposits; and
- Customers have access to the largest branch network in the country with over 750 branches.

How we contribute to our communities

- We employ over 53,000 people of which, 90% work in either Australia or New Zealand, which equates to $3.5 billion in staff related expenses in 1H23;
- We launched the CommBank Safe hub to increase customer and community awareness on scams and fraud;
- We support 200 communities organisations right across Australia through our CommBank Staff Foundational Community Grants program; and
- We support those impacted by cancer with 7,000 staff participating in our Can4Cancer run, cycle and walk events raising $2.8 million.

Generating value for shareholders and contributing to Australia's economy

- The average retail shareholder will receive approximately $1,650 in fully franked dividends;
- We have over 860,000 shareholders with 78% of our shares Australian owned;
- We continue our on-market share buy-back program to reduce the number of shares on issue, which supports the return on equity, earnings per share and dividends per share;
- We are one of Australia's largest corporate tax payers, paying over $1.6 billion in Australian corporate income tax in 1H23; and
- 91% of our domestic supplier invoices paid within 30 days.

Footnotes

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1. All information in this section is presented on a continuing operations basis, unless stated otherwise. Comparative information has been restated to conform to presentation in the current period. Unless otherwise stated, all figures relate to the half year ended 31 December 2022 and comparisons are to the prior comparative period, the half year ended 31 December 2021.
2. Level 2 is the consolidated banking group including banking subsidiaries such as ASB Bank, PT Bank Commonwealth (Indonesia) and CBA Europe N.V. Includes discontinued operations.

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1. For an explanation of and reconciliation between statutory and cash NPAT refer to page 3 of the Profit Announcement for the half year ended 31 December 2022.

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1. Loan Impairment Expense as a percentage of average Gross Loans and Acceptances (bpts) annualised.
2. Group consumer arrears including New Zealand.
3. Excludes Reverse Mortgage, Commonwealth Portfolio Loan and Residential Mortgage Group loans.

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1. Assumes 100% weighting holding all assumptions including forward looking adjustments constant and includes Individually Assessed Provisions.
2. Central Scenario is based on Group's internal economic forecasts and market consensus forecasts as well as other assumptions used in business planning and forecasting.
3. The Downside Scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from significant inflationary pressures exacerbated by supply chain disruptions, shortages of goods and labour, and heightened energy prices compounded by geopolitical risks.
4. Quarterly average.
5. The Net Stable Funding Ratio excluding the impact of CBA's Term Facility Funding drawdowns was 118% as at 31 December 2022.

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1. The timing and actual number of shares purchased under the buy-back will depend on market conditions, available trading windows and other considerations. CBA reserves the right to vary, suspend or terminate the buy-back at any time.
2. Represents 1 Jan 23 pro-forma CET1 ratio under the revised framework, excluding the impact from the continuation of the on-market share buy-back.
3. Effective 1 Jan 23 – 10.25%, inclusive of 1% default countercyclical capital buffer which may be varied by APRA in the range of 0% - 3.5%.
4. Cash NPAT inclusive of discontinued operations.
5. Cash NPAT and dividend payout ratio normalised to reflect long run loan loss rates.

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This announcement has been authorised for release by the Board.

Key financial information

Group performance summary (continuing operations)	Half year ended [1] ("cash basis") 31 Dec 22 $m	30 Jun 22 $m	31 Dec 21 $m	Dec 22 v Jun 22 %	Dec 22 v Dec 21 %
Net interest income	11,637	9,725	9,748	20	19
Other operating income	1,956	2,341	2,359	(16)	(17)
Total operating income excluding one-off item	13,593	12,066	12,107	13	12
Gain on sale of HZB shares	–	*516*	–	*(large)*	–
Total operating income	13,593	12,582	12,107	8	12
Operating expenses excluding one-off item	(5,773)	(5,549)	(5,490)	4	5
Accelerated software amortisation	–	*(389)*	–	*(large)*	–
Total operating expenses	(5,773)	(5,938)	(5,490)	(3)	5
Operating Performance	7,820	6,644	6,617	18	18
Loan impairment (expense)/benefit	(511)	282	75	large	large
Net profit before tax	7,309	6,926	6,692	6	9
NPAT from continuing operations	5,153	4,849	4,746	6	9
NPAT from discontinued operations [2]	10	13	100	(23)	(90)
NPAT from continuing operations ("statutory basis")	5,216	4,932	4,741	6	10

Cash net profit after tax, by division (continuing operations)	31 Dec 22 $m	30 Jun 22 $m	31 Dec 21 $m	Dec 22 v Jun 22 %	Dec 22 v Dec 21 %
Retail Banking Services[3]	2,691	2,600	2,313	4	16
Business Banking	1,972	1,509	1,501	31	31
Institutional Banking and Markets	453	467	591	(3)	(23)
New Zealand	718	586	679	23	6
Corporate Centre and Other	(681)	(313)	(338)	(large)	(large)
NPAT from continuing operations	5,153	4,849	4,746	6	9

Shareholder ratios & performance indicators (continuing operations unless otherwise stated)	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 v Jun 22	Dec 22 v Dec 21
Earnings per share – "cash basis" – basic (cents)	304.1	284.5	272.8	7	11
Return on equity – "cash basis" (%)	14.1	13.3	12.3	80bpts	180bpts
Dividends per share – fully franked (cents)	210	210	175	-	20
Dividend payout ratio – "cash basis" (%) [4]	69	73	62	(400)bpts	large
Average interest earning assets ($M) [5]	1,100,027	1,046,062	1,008,070	5	9
Net interest margin (%)	2.10	1.87	1.92	23bpts	18bpts
Operating expenses to total operating income (excl. one-offs) (%)	42.5	46.0	45.3	(350)bpts	(280)bpts

1. Comparative information has been restated to conform to presentation in the current period.
2. The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and reported as a single cash net profit after tax line item. Discontinued operations primarily includes Colonial First State.
3. Retail Banking Services including General Insurance.
4. Includes discontinued operations.
5. Average interest earning assets are net of average mortgage offset balances.

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Highlights

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Highlights

Group Performance Summary

	Half Year Ended [1] ("statutory basis")		Half Year Ended [1] ("cash basis")				
	31 Dec 22	Dec 22 vs	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Group Performance Summary	$M	Dec 21 %	$M	$M	$M	Jun 22 %	Dec 21 %
Net interest income	**11,637**	19	**11,637**	9,725	9,748	20	19
Other operating income	**2,311**	(4)	**1,956**	2,857	2,359	(32)	(17)
Total operating income	**13,948**	15	**13,593**	12,582	12,107	8	12
Operating expenses	**(5,992)**	7	**(5,773)**	(5,938)	(5,490)	(3)	5
Operating performance	**7,956**	21	**7,820**	6,644	6,617	18	18
Loan impairment (expense)/benefit	**(511)**	large	**(511)**	282	75	large	large
Net profit before tax	**7,445**	12	**7,309**	6,926	6,692	6	9
Corporate tax expense	**(2,229)**	17	**(2,156)**	(2,077)	(1,946)	4	11
Net profit after tax from continuing operations	**5,216**	10	**5,153**	4,849	4,746	6	9
Net profit after tax from discontinued operations [2]	**(71)**	(large)	**10**	13	100	(23)	(90)
Net profit after tax	**5,145**	(12)	**5,163**	4,862	4,846	6	7
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**n/a**	n/a	**(30)**	(85)	1,040	65	(large)
Hedging and IFRS volatility	**n/a**	n/a	**12**	124	(16)	(90)	large
Net profit after tax ("statutory basis")	**5,145**	(12)	**5,145**	4,901	5,870	5	(12)
Cash net profit after tax, by division							
Retail Banking Services (excl. General Insurance)			**2,730**	2,602	2,341	5	17
General Insurance			**(39)**	(2)	(28)	(large)	(39)
Retail Banking Services			**2,691**	2,600	2,313	4	16
Business Banking			**1,972**	1,509	1,501	31	31
Institutional Banking and Markets			**453**	467	591	(3)	(23)
New Zealand			**718**	586	679	23	6
Corporate Centre and Other			**(681)**	(313)	(338)	(large)	(large)
Net profit after tax from continuing operations ("cash basis")			**5,153**	4,849	4,746	6	9

1 Comparative information has been restated to conform to presentation in the current period.

2 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations mainly includes Colonial First State (CFS) and associated transitional service agreements.

Highlights (continued)

Non-Cash Items included in Statutory Profit

The Profit Announcement discloses the net profit after tax on both a statutory and cash basis. The statutory basis is prepared in accordance with the Corporations Act and the Australian Accounting Standards, which comply with International Financial Reporting Standards (IFRS). The cash basis is used by management to present a clear view of the Bank's operating results. It is not a measure based on cash accounting or cash flows. The items excluded from cash profit, such as hedging and IFRS volatility and gains or losses on acquisition, disposal, closure, capital repatriation and demerger of businesses are calculated consistently with the prior year and prior half disclosures and do not discriminate between positive and negative adjustments. A list of items excluded from cash profit is provided in the table below.

	Half Year Ended				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 22 %	Dec 21 %
(Loss)/gain on acquisition, disposal, closure and demerger of businesses	**(30)**	(85)	1,040	65	(large)
Hedging and IFRS volatility	**12**	124	(16)	(90)	large
Total non-cash items (after tax)	**(18)**	39	1,024	(large)	(large)

Non-cash items attributable to continuing and discontinued operations are set out below:

	Half Year Ended				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Non-Cash Items Included in Statutory Profit	**$M**	$M	$M	Jun 22 %	Dec 21 %
Gain/(loss) on acquisition, disposal, closure and demerger of businesses [1]	**51**	(41)	11	large	large
Hedging and IFRS volatility	**12**	124	(16)	(90)	large
Non-cash items (after tax) from continuing operations	**63**	83	(5)	(24)	large
(Loss)/gain on acquisition, disposal, closure and demerger of businesses [2]	**(81)**	(44)	1,029	(84)	(large)
Non-cash items (after tax) from discontinued operations	**(81)**	(44)	1,029	(84)	(large)
Total non-cash items (after tax)	**(18)**	39	1,024	(large)	(large)

1 Includes gains and losses net of transaction and separation costs associated with the disposal of AUSIEX, CommInsure General Insurance, Count Financial and other business, and the deconsolidation and closure of Commonwealth Financial Planning.

2 Includes gains and losses net of transaction and separation costs associated with the disposal of CFS, and other businesses and the deconsolidation of CommInsure Life.

Highlights (continued)

Key Performance Indicators

Key Performance Indicators [2]	Half Year Ended [1] 31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Group Performance from continuing operations					
Statutory net profit after tax ($M)	**5,216**	4,932	4,741	6	10
Cash net profit after tax ($M)	**5,153**	4,849	4,746	6	9
Net interest margin (%)	**2. 10**	1. 87	1. 92	23 bpts	18 bpts
Operating expenses to total operating income (%)	**42. 5**	47. 2	45. 3	(470)bpts	(280)bpts
Spot number of full-time equivalent staff (FTE)	**48,860**	49,245	47,532	(1)	3
Average number of FTE	**49,272**	48,658	46,075	1	7
Effective corporate tax rate (%)	**29. 5**	30. 0	29. 1	(50)bpts	40 bpts
Profit after capital charge (PACC) ($M) [3]	**3,052**	1,823	2,006	67	52
Average interest earning assets ($M) [4]	**1,100,027**	1,046,062	1,008,070	5	9
Assets under management (AUM) - average ($M)	**18,454**	19,578	21,084	(6)	(12)
Group Performance including discontinued operations					
Statutory net profit after tax ($M)	**5,145**	4,901	5,870	5	(12)
Cash net profit after tax ($M)	**5,163**	4,862	4,846	6	7
Net interest margin (%)	**2. 10**	1. 87	1. 92	23 bpts	18 bpts
Operating expenses to total operating income (%)	**42. 5**	47. 3	45. 6	(480)bpts	(310)bpts
Spot number of full-time equivalent staff (FTE)	**48,860**	49,245	47,549	(1)	3
Effective corporate tax rate (%)	**29. 5**	30. 0	29. 1	(50)bpts	40 bpts
Profit after capital charge (PACC) ($M) [3]	**3,063**	1,834	2,108	67	45

1 Comparative information has been restated to conform to presentation in the current period.
2 Presented on a "cash basis" unless stated otherwise.
3 The Bank uses PACC as a key measure of risk-adjusted profitability. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
4 Average interest earning assets are net of average mortgage offset balances.

Highlights (continued)

Key Performance Indicators (continued)

	Half Year Ended				
Key Performance Indicators	**31 Dec 22**	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Shareholder Returns from continuing operations					
Earnings Per Share (EPS) (cents) [1]					
Statutory basis - basic	**307. 8**	289. 4	272. 5	6	13
Cash basis - basic	**304. 1**	284. 5	272. 8	7	11
Return on equity (ROE) (%) [1]					
Statutory basis	**14. 2**	13. 5	12. 3	70 bpts	190 bpts
Cash basis	**14. 1**	13. 3	12. 3	80 bpts	180 bpts
Shareholder Returns including discontinued operations					
Earnings Per Share (EPS) (cents) [1]					
Statutory basis - basic	**303. 6**	287. 6	337. 4	6	(10)
Cash basis - basic	**304. 7**	285. 3	278. 5	7	9
Return on equity (ROE) (%) [1]					
Statutory basis	**14. 0**	13. 4	15. 2	60 bpts	(120)bpts
Cash basis	**14. 1**	13. 3	12. 5	80 bpts	160 bpts
Dividends per share - fully franked (cents)	**210**	210	175	–	20
Dividend cover - "cash basis" (times)	**1. 5**	1. 4	1. 6	7	(6)
Dividend payout ratio (%) [1]					
Statutory basis	**69**	73	51	(400)bpts	large
Cash basis	**69**	73	62	(400)bpts	large
Capital including discontinued operations					
Common Equity Tier 1 (Internationally Comparable) (%) [2]	**18. 5**	18. 6	18. 4	(10)bpts	10 bpts
Common Equity Tier 1 (APRA) (%)	**11. 4**	11. 5	11. 8	(10)bpts	(40)bpts
Risk weighted assets (RWA) ($M)	**504,380**	497,892	471,927	1	7
Leverage Ratio including discontinued operations					
Leverage Ratio (Internationally Comparable) (%) [2]	**5. 7**	5. 9	6. 2	(20)bpts	(50)bpts
Leverage Ratio (APRA) (%)	**5. 1**	5. 2	5. 3	(10)bpts	(20)bpts
Funding and Liquidity Metrics including discontinued operations					
Liquidity Coverage Ratio (%) [3]	**131**	130	134	100 bpts	(300)bpts
Weighted Average Maturity of Long Term Debt (years) [4]	**4. 8**	4. 7	5. 0	0.1 years	(0.2)years
Customer Deposit Funding Ratio (%)	**75**	74	73	100 bpts	200 bpts
Net Stable Funding Ratio (%)	**129**	130	131	(100)bpts	(200)bpts
Credit Quality Metrics including discontinued operations					
Loan impairment expense annualised as a % of average GLAAs	**0. 11**	(0. 07)	(0. 02)	18 bpts	13 bpts
Gross impaired assets as a % of GLAAs	**0. 33**	0. 33	0. 41	-	(8)bpts
Credit risk weighted assets (RWA) ($M)	**402,017**	393,647	390,687	2	3

1 For definitions refer to Appendix 4.6.
2 Analysis aligns with the 13 July 2015 APRA study titled “International capital comparison study”.
3 Quarterly average.
4 Represents the weighted average maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months including drawdown of the RBA Term Funding Facility (TFF).

Highlights (continued)

Key Performance Indicators (continued)

Key Performance Indicators [2]	Half Year Ended [1] 31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Retail Banking Services [3]					
Cash net profit after tax ($M)	**2,730**	2,602	2,341	5	17
Net interest margin (%)	**2. 74**	2. 35	2. 44	39 bpts	30 bpts
Average interest earning assets ($M) [4]	**418,807**	408,033	393,307	3	6
Operating expenses to total operating income (%)	**35. 8**	38. 8	40. 1	(300)bpts	(430)bpts
Risk weighted assets ($M) [5]	**165,002**	166,565	162,570	(1)	1
Business Banking					
Cash net profit after tax ($M)	**1,972**	1,509	1,501	31	31
Net interest margin (%)	**3. 63**	2. 98	2. 95	65 bpts	68 bpts
Average interest earning assets ($M) [4]	**209,267**	201,306	192,816	4	9
Operating expenses to total operating income (%)	**30. 3**	37. 7	37. 5	(large)	(large)
Risk weighted assets ($M)	**149,523**	147,326	141,974	1	5
Institutional Banking and Markets					
Cash net profit after tax ($M)	**453**	467	591	(3)	(23)
Net interest margin (%)	**0. 86**	1. 05	1. 20	(19)bpts	(34)bpts
Average interest earning assets ($M)	**163,148**	144,792	131,008	13	25
Operating expenses to total operating income (%)	**47. 4**	43. 0	42. 6	440 bpts	480 bpts
Risk weighted assets ($M)	**84,693**	80,001	82,119	6	3
New Zealand					
Cash net profit after tax (A$M)	**718**	586	679	23	6
Risk weighted assets (A$M) [6]	**58,305**	54,054	59,975	8	(3)
Net interest margin (ASB) (%) [7]	**2. 52**	2. 26	2. 19	26 bpts	33 bpts
Average interest earning assets (ASB) (NZ$M) [7]	**121,350**	117,692	115,124	3	5
Operating expenses to total operating income (ASB) (%) [7]	**33. 9**	37. 4	34. 0	(350)bpts	(10)bpts
AUM - average (ASB) (NZ$M) [7]	**20,353**	21,183	22,209	(4)	(8)

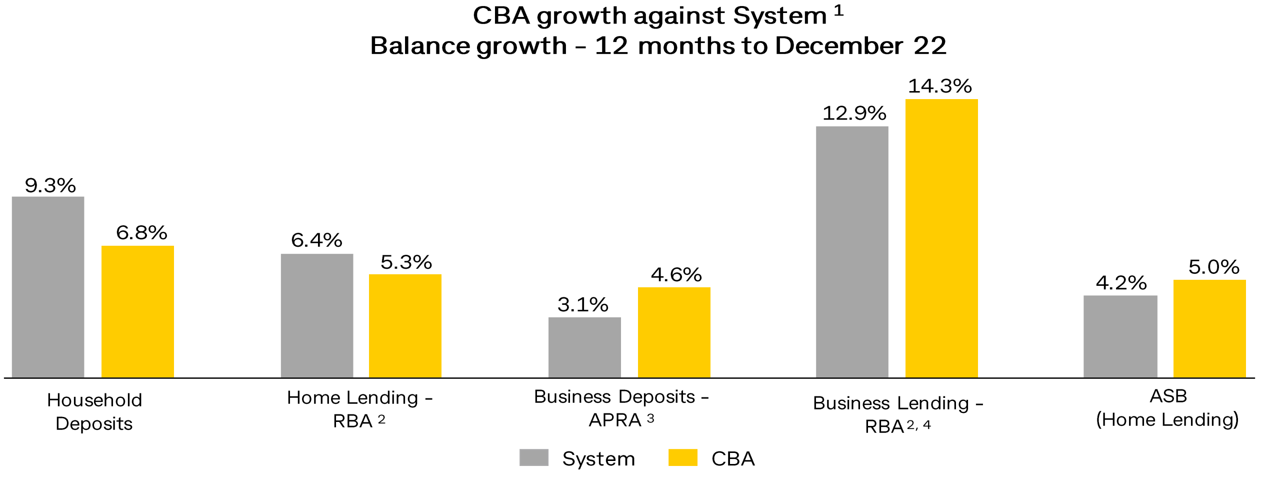
1 Comparative information has been restated to conform to presentation in the current period.
2 Presented on a “cash basis”.
3 Excludes General Insurance.
4 Net of average mortgage offset balances.
5 Includes General Insurance.
6 Risk weighted assets (A$M) calculated in accordance with APRA requirements.
7 Key financial metrics represent ASB only and are calculated in New Zealand dollar terms.

Highlights (continued)

Market Share

	As at [1]				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Market Share	**%**	%	%	Jun 22	Dec 21
Home loans - RBA [2]	**25.1**	25.1	25.4	–	(30)bpts
Home loans - APRA [3]	**25.8**	25.8	26.1	–	(30)bpts
Credit cards - APRA [3]	**28.8**	28.5	28.2	30 bpts	60 bpts
Other household lending - APRA [3, 4]	**19.4**	18.5	18.1	90 bpts	130 bpts
Household deposits - APRA [3]	**26.9**	27.5	27.6	(60)bpts	(70)bpts
Business lending - RBA [2]	**15.7**	15.9	15.7	(20)bpts	–
Business lending - APRA [3,5]	**17.8**	17.8	17.7	–	10 bpts
Business deposits - APRA [3,5]	**22.4**	22.6	22.1	(20)bpts	30 bpts
Equities trading [6]	**3.7**	4.2	4.9	(50)bpts	(120)bpts
NZ home loans	**21.6**	21.6	21.4	–	20 bpts
NZ customer deposits	**18.0**	18.3	18.3	(30)bpts	(30)bpts
NZ business lending	**16.8**	16.9	17.0	(10)bpts	(20)bpts

1 Comparatives have been updated to reflect market restatements.
2 System source: RBA Lending and Credit Aggregates.
3 System source: APRA's Monthly Authorised Deposit-taking Institutions Statistics (MADIS) publication.
4 Other Household Lending market share includes personal loans, margin loans and other forms of lending to individuals.
5 Represents business lending to and business deposits by non-financial businesses under APRA definitions.
6 Represents CommSec traded value as a percentage of total Australian Equities markets, on a 12 month rolling average basis.



1 System and CBA Source: RBA/APRA/RBNZ.
2 System source: RBA Lending and Credit Aggregates.
3 System and CBA Source: APRA Deposits by non-financial businesses.
4 CBA Domestic Business lending growth (including Institutional Lending but excludes Cash Management Pooling Facilities).

Credit Ratings

Credit Ratings	Long-term	Short-term	Outlook
Fitch Ratings	A+	F1	Stable
Moody's Investors Service	Aa3	P-1	Stable
S&P Global Ratings	AA-	A-1+	Stable

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Group Performance Analysis

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Group Performance Analysis

Financial Performance and Business Review

Performance Overview – comments are versus prior comparative period unless stated otherwise (continuing operations basis [1]).

The Bank's statutory net profit after tax (NPAT) from continuing operations for the half year ended 31 December 2022 increased $475 million or 10% on the prior comparative period to $5,216 million. The Bank's statutory NPAT (including discontinued operations) for the half year ended 31 December 2022 decreased $725 million or 12% on the prior comparative period to $5,145 million.

Cash net profit after tax ("cash NPAT" or "cash profit") from continuing operations increased $407 million or 9% on the prior comparative period to $5,153 million. The result was driven by a 12% increase in operating income, a 5% increase in operating expenses and a $586 million increase in loan impairment expense.

Operating income increased 12% on the prior comparative period. Key movements included:

- Net interest income increased 19% primarily driven by a 9% or $92 billion increase in average interest earning assets (AIEA) and an 18 basis point increase in Net Interest Margin (NIM). The increase in AIEA was mainly due to growth in home, business and institutional loans, and increased non-lending interest earning assets including higher liquid assets and reverse repurchase and sales agreements. Excluding the 4 basis points reduction in margin from growth in lower yielding liquid assets, NIM increased by 22 basis points, primarily driven by higher earnings on deposits, replicated products and capital hedges in a rising rate environment, partly offset by the impact on lending margins from higher swap and cash rates as well as increased competition.
- Other operating income decreased 17%, primarily driven by the impact from divestments, including CommInsure General Insurance in the current half, and the partial sale of the shareholding in Bank of Hangzhou in the prior half, lower net profits from minority investments, the non-recurrence of the final AIA milestone payment, reduced equities income due to decreased trading volumes and unfavourable derivative valuation adjustments. This was partly offset by increased volume driven foreign exchange, deposit and business banking fee income.

Operating expenses increased 5%. Excluding remediation costs [2], operating expenses increased 4%, mainly driven by inflation, additional resources to support higher financial crime assessment volumes and the delivery of strategic investment initiatives, and higher IT spend, partly offset by benefits from higher leave usage and productivity initiatives.

Loan impairment expense (LIE) increased $586 million, reflecting ongoing inflationary pressures, rising interest rates, and declines in house prices. Home loan 90+ day arrears were 0.43%, a decrease of 6bps on the prior half, mainly driven by the strong domestic labour market. Credit cards and Personal loans arrears were 0.46% and 0.95%, a decrease of 6bps and 7bps respectively on the prior half, driven by seasonality and the strong labour market. Total provisions to CRWA is 1.38%, up 2bps on the prior half, reflecting a modest increase in collective provisions.

CET1 decreased 10 basis points from 30 June 2022 to 11.4%, well above APRA's regulatory requirements. Excluding the impact from the payment of the 2022 final dividend (-71bps) and $1.3 billion of on-market share buy-backs (-27bps), CET1 increased 88 basis points. The increase was primarily driven by capital generated from earnings (+103bps), removal of the APRA operational risk add-on (+15bps) and the benefit from the divestment of CommInsure General Insurance (+9bps), partly offset by higher RWAs (-25bps) and other regulatory adjustments.

Earnings per share ("cash basis") increased 11% on the prior comparative period to 304 cents per share, primarily driven by the increase in cash profit and the reduction in the number of shares on issue as a result of share buy-backs.

Return on equity ("cash basis") increased 180 basis points to 14.1% due to the impact of higher cash profit (approximately 110 basis points) and a decrease in average capital levels (approximately 70 basis points), reflecting completion of share buy-backs.

The interim dividend determined was $2.10 per share, which is equivalent to 69% of the Bank's cash profit.

Balance sheet strength and resilience is a key priority for the Bank. The Bank has managed key balance sheet risks in a sustainable and conservative manner, and has made strategic decisions to ensure strength in capital, funding and liquidity. In particular, the Bank has:

- Satisfied a significant proportion of its funding requirements with customer deposits, accounting for 75% of total funding at 31 December 2022 (up 2% from 73% at 31 December 2021);
- Issued new long-term wholesale funding of $18 billion. Including the TFF, the portfolio Weighted Average Maturity (WAM [3]) was 4.8 years (down from 5.0 years at 31 December 2021);
- Maintained its strong funding position, with long-term wholesale funding accounting for 71% of total wholesale funding (up 4% from 67% at 31 December 2021); and
- Appropriately managed the level of liquid assets and customer deposit growth to maintain our strong funding and liquidity positions, as illustrated by the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) being well above the regulatory minimum.

1 The financial results of discontinued operations are excluded from the individual account lines of the Bank's performance and are reported as a single cash net profit after tax line item. Discontinued operations mainly includes Colonial First State (CFS) and associated transitional service agreements.

2 For further details on remediation costs, refer to page 11.

3 The portfolio WAM excluding the TFF as at 31 December 2022 was 5.8 years (30 June 2022: 6.3 years; 31 December 2021: 6.5 years).

Group Performance Analysis (continued)

Financial Performance and Business Review (continued)

The Bank's financial result was impacted by one-off income and expense items, and remediation costs. In order to present a transparent view of the business' performance, operating income and expenses are shown both before and after these items.

	Half Year Ended [1] ("cash basis")				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Group Performance Summary	**$M**	$M	$M	Jun 22 %	Dec 21 %
Operating income excluding one-off item	**13,593**	12,066	12,107	13	12
Gain on sale of HZB shares [2]	**–**	516	–	(large)	–
Total operating income	**13,593**	12,582	12,107	8	12
Operating expenses excluding remediation costs	**(5,636)**	(5,391)	(5,397)	5	4
Remediation costs [3]	**(137)**	(158)	(93)	(13)	47
Operating expenses excluding one-off item	**(5,773)**	(5,549)	(5,490)	4	5
Accelerated software amortisation [4]	**–**	(389)	–	(large)	–
Total operating expenses	**(5,773)**	(5,938)	(5,490)	(3)	5
Operating performance	**7,820**	6,644	6,617	18	18
Loan impairment (expense)/benefit	**(511)**	282	75	large	large
Net profit before tax	**7,309**	6,926	6,692	6	9
Corporate tax expense	**(2,156)**	(2,077)	(1,946)	4	11
Net profit after tax from continuing operations ("cash basis")	**5,153**	4,849	4,746	6	9
Non-cash items - continuing operations [5]	**63**	83	(5)	(24)	large
Net profit after tax from continuing operations ("statutory basis")	**5,216**	4,932	4,741	6	10
Net profit after tax from discontinued operations ("cash basis")	**10**	13	100	(23)	(90)
Non-cash items - discontinued operations [5]	**(81)**	(44)	1,029	(84)	(large)
Net profit after tax ("statutory basis")	**5,145**	4,901	5,870	5	(12)

1 Comparative information has been restated to conform to presentation in the current period.
2 Represents the pre-tax gain on sale of 10% shareholding in Bank of Hangzhou of $516 million in the prior half.
3 The half year ended 31 December 2022 includes $75 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs (half year ended 30 June 2022: $81 million; half year ended 31 December 2021: $43 million) and $62 million for Banking, other Wealth and employee related remediation and litigation costs (half year ended 30 June 2022: $77 million; half year ended 31 December 2021: $50 million).
4 Represents the impact of accelerated amortisation on certain capitalised software of $389 million in the prior half.
5 Refer to page 3 for further information.

Group Performance Analysis (continued)

Net Interest Income (continuing operations basis)

	Half Year Ended				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
	$M	$M	$M	Jun 22 %	Dec 21 %
Net interest income - "cash basis"	**11,637**	9,725	9,748	20	19
Average interest earning assets					
Home loans [1]	**557,840**	546,148	530,226	2	5
Consumer finance	**16,455**	16,363	16,276	1	1
Business and corporate loans	**251,585**	234,775	225,502	7	12
Total average lending interest earning assets	**825,880**	797,286	772,004	4	7
Non-lending interest earning assets (excl. liquid assets)	**77,636**	67,570	57,483	15	35
Total average interest earning assets (excl. liquid assets)	**903,516**	864,856	829,487	4	9
Liquid assets [2]	**196,511**	181,206	178,583	8	10
Total average interest earning assets	**1,100,027**	1,046,062	1,008,070	5	9
Net interest margin (%)	**2. 10**	1. 87	1. 92	23 bpts	18 bpts

1 Net of average mortgage offset balances of $68,658 million (half year ended 30 June 2022: $66,537 million; half year ended 31 December 2021: $62,988 million). While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the Bank's net interest margin.

2 Average non-lending interest earning assets held by the Group for liquidity purposes and included in LCR liquid assets.

Half Year Ended December 2022 versus December 2021

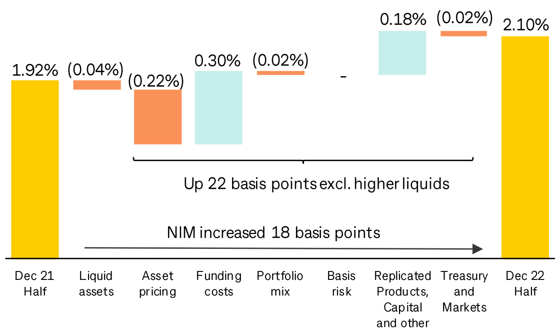
Net interest income was $11,637 million, an increase of $1,889 million or 19% on the prior comparative period. The result was driven by a $92 billion or 9% increase in average interest earning assets to $1,100 billion, and an 18 basis point increase in net interest margin to 2.10%. Excluding the impact of higher liquid assets in the current half, average interest earning assets increased by $74 billion or 9%, and the net interest margin increased by 22 basis points on the prior comparative period.

Average Interest Earning Assets

Average interest earning assets increased $92 billion or 9% on the prior comparative period.

- Home loan average balances increased $28 billion or 5% on the prior comparative period to $558 billion. Proprietary mix for CBA branded home loans has remained flat at 58% of new business flows;
- Consumer finance average balances increased by $0.2 billion or 1% on the prior comparative period to $16 billion, driven by growth in credit cards from increased spend and higher new business volumes in personal loans;
- Business and corporate loan average balances increased $26 billion or 12% on the prior comparative period to $252 billion, driven by growth in Business Banking lending across a number of industries, and increased institutional lending balances in corporate lending, structured lending and pooled facilities;
- Non-lending interest earning asset (excl. liquids) average balances increased $20 billion or 35% on the prior comparative period to $78 billion, primarily driven by higher reverse sale and repurchase agreements in Institutional Banking and Markets; and
- Liquid asset average balances increased $18 billion or 10% on the prior comparative period due to strong customer deposit growth.

NIM movement since December 2021



Net Interest Margin

The Bank's net interest margin increased 18 basis points on the prior comparative period to 2.10%. Excluding a 4 basis point reduction in margin from increased lower yielding liquid assets, net interest margin increased by 22 basis points. The key drivers of the movement were:

Asset pricing: Decreased margin by 22 basis points driven by home and business lending pricing, and lower consumer finance margins. Home lending pricing reduced margin by 17 basis points due to the impact of higher swap and cash rates (down 9 basis points) and increased competition (down 8 basis points). Business lending pricing reduced margin by 2 basis points due to the impact of competition. Lower consumer finance margins (down 3 basis points) reflects the impact of higher swap and cash rates, and a reduction in the proportion of interest earning credit card balances.

Funding costs: Increased margin by 30 basis points driven by higher earnings on deposits in a rising interest rate environment.

Group Performance Analysis (continued)

Net Interest Income (continued)

Portfolio Mix: Decreased margin by 2 basis points driven by unfavourable asset mix from an increase in lower margin non-lending interest earning asset balances and pooled facilities.

Basis Risk: Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. Impact on the Bank's margin was flat on the prior comparative period notwithstanding a slight increase in average spreads and a structural increase in exposure to basis risk due to a mix reversion back to variable rate home loans and term deposits.

Replicated Products, Capital and other: Increased margin by 18 basis points driven by higher earnings on replicated products, capital and other hedges (up 14 basis points) and increased contribution from New Zealand (up 4 basis points) in a rising rate environment.

Treasury and Markets: Decreased margin by 2 basis points due to lower income in Global Markets from the Fixed Income and Commodities portfolios.

Half Year Ended December 2022 versus June 2022

Net interest income increased $1,912 million or 20% on the prior half, driven by a $54 billion or 5% increase in average interest earning assets, a 23 basis point increase in net interest margin and the benefit of three additional calendar days in the current half. Excluding the impact of higher liquid assets in the current half, average interest earning assets increased by $39 billion or 4%, and the net interest margin increased by 26 basis points on the prior half.

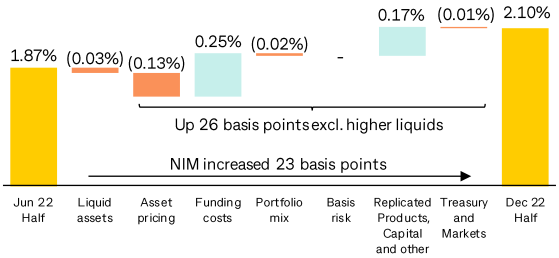
Average Interest Earning Assets

Average interest earning assets increased $54 billion or 5% on the prior half.

- Home loan average balances increased $12 billion or 2% on the prior half, reflecting slowing system growth in a highly competitive market. Proprietary mix for CBA branded home loans decreased from 60% to 58% of new business flows;
- Consumer finance average balances increased by $0.1 billion or 1% on the prior half, driven by growth in credit cards from increased spend and higher new business volumes in personal loans;
- Business and corporate loan average balances increased $17 billion or 7% on the prior half, driven by growth in Business Banking lending across a number of industries, and increased institutional lending balances mainly in corporate lending, structured lending and pooled facilities;
- Non-lending interest earning asset (excl. liquids) average balances increased $10 billion or 15% on the prior half, primarily driven by higher reverse sale and repurchase agreements in Institutional Banking and Markets; and
- Liquid asset average balances increased $15 billion or 8% on the prior half due to strong customer deposit growth.

For further details on the balance sheet movements refer to the 'Group Assets and Liabilities' on page 20.

NIM movement since June 2022



Net Interest Margin

The Bank's net interest margin increased 23 basis points on the prior half. Excluding a 3 basis point reduction from increased lower yielding liquid assets, net interest margin increased by 26 basis points. The key drivers of the movement were:

Asset pricing: Decreased margin by 13 basis points mainly driven by home and business lending pricing, and lower consumer finance margins. Home lending pricing reduced margin by 9 basis points due to the impact of higher swap and cash rates (down 5 basis points) and increased competition (down 5 basis points), partly offset by favourable portfolio mix with a shift to higher margin variable loans (up 1 basis point). Business lending pricing reduced margin by 1 basis point due to the impact of competition. Lower consumer finance margins (down 3 basis points) reflects the impact of higher swap and cash rates, and a reduction in the proportion of interest earning credit card balances.

Funding costs: Increased margin by 25 basis points driven by higher earnings on deposits (up 26 basis points) in a rising interest rate environment, partly offset by higher wholesale funding costs (down 1 basis point).

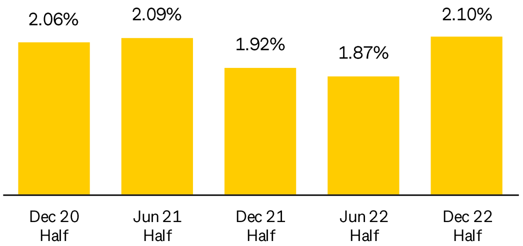
Portfolio Mix: Decreased margin by 2 basis points driven by unfavourable asset mix from an increase in lower margin non-lending interest earning asset balances and pooled facilities (down 1 basis point), and unfavourable deposit mix as customers switch to higher yielding term deposits (down 1 basis point).

Basis Risk: Basis Risk arises from the spread between the 3 month bank bill swap rate and the 3 month overnight index swap rate. Impact on the Bank's margin was flat on the prior half notwithstanding a slight increase in average spreads and a structural increase in exposure to basis risk due to a mix reversion back to variable rate home loans and term deposits.

Replicated Products, Capital and other: Increased margin by 17 basis points driven by higher earnings on replicated products, capital and other hedges (up 13 basis points) and increased contribution from New Zealand (up 4 basis points) in a rising rate environment.

Treasury and Markets: Decreased margin by 1 basis point due to lower income in Global Markets from the Fixed Income and Commodities portfolios.

NIM (Half Year Ended)



Group Performance Analysis (continued)

Other Operating Income (continuing operations basis)

	Half Year Ended [1, 2]				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Commissions	**1,013**	1,011	1,067	–	(5)
Lending fees	**357**	359	377	(1)	(5)
Trading income	**513**	438	368	17	39
Funds management and insurance income	**28**	110	98	(75)	(71)
Other income	**45**	423	449	(89)	(90)
Other operating income excluding one-off item	**1,956**	2,341	2,359	(16)	(17)
Gain on sale of HZB shares [3]	**–**	516	–	n/a	n/a
Other operating income	**1,956**	2,857	2,359	(32)	(17)

1 Comparative information has been restated to conform to presentation in the current period.
2 Presented on a "cash basis".
3 For further details on the one-off item refer to page 11.

Half Year Ended December 2022 versus December 2021

Other operating income was $1,956 million, a decrease of $403 million or 17% on the prior comparative period.

Commissions decreased by $54 million or 5% to $1,013 million, mainly due to lower equities income from reduced trading volumes, partly offset by higher foreign exchange and deposit fee income from increased volumes.

Lending fees decreased by $20 million or 5% to $357 million, with lower institutional syndication and lending fees, partly offset by business lending volume growth.

Trading income increased by $145 million or 39% to $513 million, mainly driven by higher Global Markets trading gains in the Fixed Income and Commodities & Carbon portfolios, as well as higher sales revenue across a number of desks, and increased gains from Treasury interest rate risk management activities, partly offset by unfavourable derivative valuation adjustments.

Funds management and insurance income decreased by $70 million or 71% to $28 million, due to lower insurance premiums as a result of the sale of the General Insurance business on 30 September 2022, and reduced funds management income due to lower income from NZ mainly reflecting unfavourable market performance.

Other income decreased by $404 million or 90% to $45 million, mainly due to lower net equity accounted profits from minority investments, including the impact from the sale of a 10% shareholding in Bank of Hangzhou, the non-recurrence of gains from the reversal of historical impairment, and equity accounted losses from CFS mainly reflecting challenging investment market conditions and increased investment spend. Other reductions include lower Treasury income and the receipt of the final AIA milestone payment in the prior comparative period.

Half Year Ended December 2022 versus June 2022

Other operating income excluding the one-off item decreased by $385 million or 16% on the prior half.

Commissions increased by $2 million, with higher volume driven foreign exchange, deposit and cards income, largely offset by lower equities income from reduced trading volumes and a decrease in bond syndication fees reflecting lower client activity.

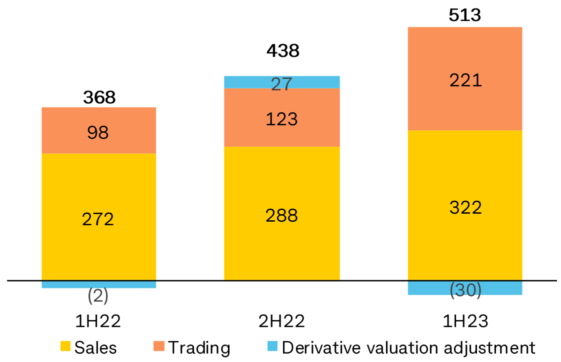
Lending fees were broadly in line with prior half decreasing by $2 million or 1%.

Trading income increased by $75 million or 17%, with Global Markets trading gains in the Fixed Income and Commodities & Carbon portfolios, as well as higher sales revenue, and increased gains from Treasury interest rate risk management activities, partly offset by unfavourable derivative valuation adjustments.

Funds management and insurance income decreased by $82 million or 75%, due to lower insurance premiums as a result of the sale of the General Insurance business on 30 September 2022 and lower weather event related losses in the prior half due to reinsurance recoveries.

Other income decreased by $378 million or 89%, mainly due to lower net equity accounted profits from minority investments, including the impact from the sale of a 10% shareholding in Bank of Hangzhou, and equity accounted losses from CFS. Other reductions include non-recurrence of reversal of impairment of aircraft operating leases and lower Treasury income.

Trading Income ($M)



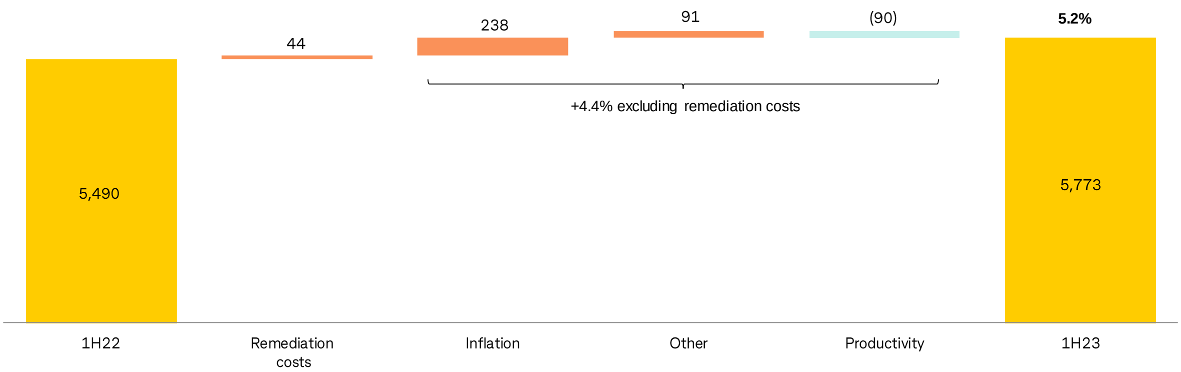
Group Performance Analysis (continued)

Operating Expenses (continuing operations basis)

	Half Year Ended [1, 2]				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Staff expenses	**3,517**	3,194	3,358	10	5
Occupancy and equipment expenses	**477**	489	486	(2)	(2)
Information technology services expenses	**1,020**	1,007	960	1	6
Other expenses	**622**	701	593	(11)	5
Operating expenses excluding remediation costs and one-off item	**5,636**	5,391	5,397	5	4
Remediation costs [3]	**137**	158	93	(13)	47
Operating expenses including remediation costs excluding one-off item	**5,773**	5,549	5,490	4	5
Accelerated software amortisation [4]	**–**	389	–	(large)	–
Operating expenses including remediation costs and one-off item	**5,773**	5,938	5,490	(3)	5
Operating expenses to total operating income excluding one-off items (%)	**42. 5**	46. 0	45. 3	(350)bpts	(280)bpts
Operating expenses to total operating income (%)	**42. 5**	47. 2	45. 3	(470)bpts	(280)bpts
Average number of full-time equivalent staff (FTE)	**49,272**	48,658	46,075	1	7
Spot number of full-time equivalent staff (FTE)	**48,860**	49,245	47,532	(1)	3

1 Comparative information has been restated to conform to presentation in the current period.
2 Presented on a "cash basis".
3 For further details on remediation costs refer to page 11.
4 For further details on one-off items refer to page 11.

Operating Expenses (excluding one-off item)



Half Year Ended December 2022 versus December 2021

Operating expenses excluding remediation costs and one-off items were $5,636 million, an increase of $239 million or 4% on the prior comparative period.

Staff expenses increased by $159 million or 5% to $3,517 million, mainly driven by wage inflation and increased full-time equivalent staff (FTE), partly offset by higher leave usage. The average number of FTE increased by 3,197 or 7% from 46,075 to 49,272, primarily to support the delivery of our strategic investment priorities and increased financial crime assessment volumes, while continuing to reduce the reliance on external vendors as we enhance our internal engineering capabilities. This is partly offset by productivity initiatives.

Occupancy and equipment expenses decreased by $9 million or 2% to $477 million, primarily driven by benefits from the optimisation of our property portfolios.

Information technology services expenses increased by $60 million or 6% to $1,020 million, primarily due to inflation, increased software licensing and infrastructure costs, including growth in cloud computing volumes, and higher amortisation.

Other expenses increased by $29 million or 5% to $622 million, primarily driven by increased travel costs as COVID-19 restrictions eased, and higher marketing costs, partly offset by productivity initiatives.

Operating expenses to total operating income ratio excluding one-off items decreased 280 basis points from 45.3% to 42.5%.

Group Performance Analysis (continued)

Operating Expenses (continued)

Half Year Ended December 2022 versus June 2022

Operating expenses excluding remediation costs and one-off items increased $245 million or 5% on the prior half.

Staff expenses increased by $323 million or 10%, mainly driven by wage inflation, increased FTE and two additional working days in the current half. The average number of FTE increased by 614 or 1% from 48,658 to 49,272, primarily to support the delivery of our strategic investment priorities, while continuing to reduce the reliance on external vendors as we enhance our internal engineering capabilities.

Occupancy and equipment expenses decreased by $12 million or 2%, primarily driven by optimisation of our property portfolios.

Information technology services expenses increased by $13 million or 1%, primarily due to inflation and higher software licensing and infrastructure costs, including growth in cloud computing volumes, partly offset by lower amortisation and productivity initiatives.

Other expenses decreased by $79 million or 11%, primarily driven by lower operational losses, reduced third party spend and productivity initiatives, partly offset by increased travel costs as COVID-19 restrictions eased.

Operating expenses to total operating income ratio excluding one-off items decreased 350 basis points from 46.0% to 42.5%.

Investment Spend (continuing operations basis)

	Half Year Ended				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Expensed investment spend [1]	**484**	474	513	2	(6)
Capitalised investment spend [2]	**479**	459	432	4	11
Investment spend	**963**	933	945	3	2
Comprising:					
Productivity and growth	**437**	405	366	8	19
Risk and compliance	**306**	304	392	1	(22)
Infrastructure and branch refurbishment	**220**	224	187	(2)	18
Investment spend	**963**	933	945	3	2

1 Included within the operating expenses disclosure on page 15.

2 Includes software capitalised investment spend and non-software capitalised investment spend, primarily related to branch refurbishments and the development of the corporate and supporting offices.

Half Year Ended December 2022 versus December 2021

The Bank has continued to invest in our purpose of building a brighter future for all with $963 million of investment spend incurred in the half year ended 31 December 2022, an increase of $18 million or 2% on the prior comparative period. This is primarily driven by an increase of $71 million in productivity and growth initiatives, and an increase of $33 million in infrastructure and branch refurbishment, partly offset by an $86 million reduction in risk and compliance spend.

In the current half, productivity and growth initiatives accounted for 45% of investment spend, an increase of 6% from 39% in the prior comparative period. The Bank has increased its focus on strengthening capabilities and extending our leadership in digital, technology and customer-centric product offerings through the ongoing modernisation of our platforms and interfaces to provide integrated and personalised experiences for our customers. The Bank is also continuing to focus on initiatives to simplify and enhance our systems, automate and digitise processes, and uplift our payments capabilities.

Risk and compliance initiatives accounted for 32% of investment spend, a decrease of 9% from 41% in the prior comparative period. Risk and compliance initiatives continue to be a priority for the Bank as we continue to build simpler and better foundations.

Infrastructure and branch refurbishment initiatives accounted for 23% of investment spend, with the Bank continuing to uplift cyber security capabilities and enhance IT infrastructure.

Key areas of investment across each of the categories are outlined below.

Productivity and Growth

The Bank has continued to invest in the following:

- Ongoing development of CommBank applications and digital channels to improve the customer service experience and maintain leadership in digital banking;
- Simplifying and automating manual back-end processes and systems to improve customer experience, reduce operating costs and digitise end-to-end processes;
- Commercial lending systems to simplify the end-to-end process for loan origination and maintenance, and improve business customer experiences;
- Reducing reliance on external vendors and providers by bringing more functions in-house, and delivering cost savings while enhancing quality by building world-class engineering capabilities; and

Group Performance Analysis (continued)

Investment Spend (continued)

- Ongoing modernisation and simplification of the technology stack to accelerate migration to cloud, in order to reduce the cost of IT ownership, reduce risk and improve delivery agility for faster response to changing customer needs.

Risk and Compliance

The Bank has continued to increase Group wide capability in the management of financial and non-financial risks, including:

- Strengthening the Bank's operating model and processes for monitoring, managing, reporting and controlling financial crime across all of its operations, including upgrading technology, uplifting capabilities, and how the Bank engages with and informs AUSTRAC and other regulators;
- Upgrading processes and systems for additional functionality, automation of controls, protecting against privacy breaches, and ensuring compliance with regulations including Open Banking, the Banking Code of Practice, NZ's Banking Standard 11, and Basel III capital reforms; and
- Enhancing Customer Risk Assessment capability and strengthening data controls and processes.

Infrastructure and Branch Refurbishment

The Bank has continued to invest in the following:

- Protecting customers and the Bank against cyber security risks and data breaches;
- Improving the resilience and simplicity of the Bank's IT infrastructure and data centres;
- Retail branch design and refurbishment to reflect evolving changes in customer preferences; and
- Refurbishment of a 6 star "Green Star" building to replace an existing office as the lease expires.

Capitalised Software

	Half Year Ended				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Opening Balance	**1,409**	1,585	1,427	(11)	(1)
Additions	**417**	425	318	(2)	31
Amortisation and write-offs	**(183)**	(601)	(160)	(70)	14
Closing balance	**1,643**	1,409	1,585	17	4

Half Year Ended December 2022 versus December 2021

Capitalised software balance increased $58 million or 4% to $1,643 million.

Additions increased by $99 million or 31% to $417 million, due to higher capitalised investment spend, reflecting increased productivity and growth and system infrastructure related spend as the Bank continues to enhance its product offering and customer experiences, strengthen its digital capabilities, modernise technology platforms and innovate for future growth.

Amortisation and write-offs increased by $23 million or 14% to $183 million, reflecting higher balances of completed assets that are subject to amortisation during the current half.

Half Year Ended December 2022 versus June 2022

Capitalised software balance increased $234 million or 17% on the prior half.

Additions were broadly in line with prior half, reflecting the continued focus on value accretive investments.

Amortisation and write-offs decreased by $418 million or 70%, mainly driven by the non-recurrence of the accelerated amortisation of certain capitalised software balances in the prior half.

Group Performance Analysis (continued)

Loan Impairment Expense (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
	$M	$M	$M	Jun 22 %	Dec 21 %
Retail Banking Services	**237**	(413)	7	large	large
Business Banking	**263**	83	32	large	large
Institutional Banking and Markets	**(39)**	14	(125)	(large)	69
New Zealand	**45**	49	(12)	(8)	large
Corporate Centre and Other	**5**	(15)	23	large	(78)
Loan impairment expense/(benefit)	**511**	(282)	(75)	large	large

1 Comparative information has been restated to conform to presentation in the current period.

Half Year Ended December 2022 versus December 2021

Loan impairment expense was $511 million, an increase of $586 million on the prior comparative period. This was driven by:

- An increase in Business Banking of $231 million to $263 million, driven by higher collective provision charges reflecting ongoing input cost pressures, supply chain disruptions and rising interest rates. Individually assessed provision charges also increased due to a small number of exposures;
- An increase in Retail Banking Services of $230 million to $237 million, driven by higher collective provision charges reflecting ongoing inflationary pressures, rising interest rates and decline in house prices;
- An increase in Institutional Banking and Markets of $86 million or 69% to a benefit of $39 million, primarily driven by higher collective provision releases in the prior comparative period related to the aviation sector; and
- An increase in New Zealand of $57 million to $45 million, mainly driven by higher collective provision charges reflecting emerging risks including rising interest rates, labour constraints and inflationary pressures, partly offset by lower individually assessed provision charges; partly offset by
- A decrease in Corporate Centre and Other of $18 million or 78% to $5 million, driven by a release of COVID-19 related collective provisions in PTBC.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) increased 13 basis points to 11 basis points.

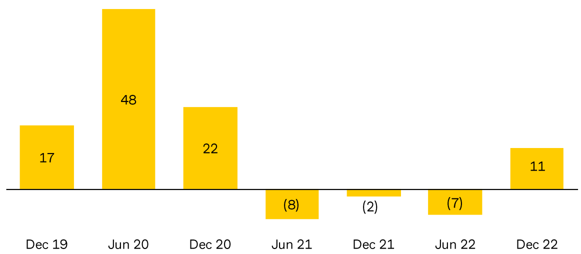
Half Year Ended December 2022 versus June 2022

Loan impairment expense increased $793 million on the prior half. This was driven by:

- An increase in Retail Banking Services of $650 million, driven by higher collective provision charges reflecting ongoing inflationary pressures, rising interest rates and decline in house prices, and the non-recurrence of COVID-19 collective provision releases in the prior half;
- An increase in Business Banking of $180 million, primarily driven by higher collective provision charges reflecting ongoing input cost pressures, supply chain disruptions and rising interest rates. Individually assessed provision charges also increased due to a small number of exposures; and
- An increase in Corporate Centre and Other of $20 million, driven by higher individually assessed provisions and write-offs in PTBC, partly offset by a release of COVID-19 related collective provisions; partly offset by
- A decrease in Institutional Banking and Markets of $53 million, driven by lower individually assessed provision charges and lower collective provisions reflecting an improvement in portfolio credit quality; and
- A decrease in New Zealand of $4 million or 8%, mainly driven by lower individually assessed provisions.

Loan impairment expense annualised as a percentage of average gross loans and acceptances (GLAAs) increased 18 basis points.

Half Year Loan Impairment Expense annualised as a percentage of average GLAAs (bpts)



Group Performance Analysis (continued)

Taxation Expense (continuing operations basis)

	Half Year Ended				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
	$M	$M	$M	Jun 22 %	Dec 21 %
Corporate tax expense ($M)	**2,156**	2,077	1,946	4	11
Effective tax rate - "cash basis" (%)	**29. 5**	30. 0	29. 1	(50)bpts	40 bpts

Half Year Ended December 2022 versus December 2021

Corporate tax expense for the half year ended 31 December 2022 was $2,156 million, an increase of $210 million or 11% on the prior comparative period, reflecting a 29.5% effective tax rate.

The rate is below the Australian company tax rate of 30% primarily as a result of the profit earned by the offshore jurisdictions that have lower corporate tax rates.

The 40 basis points increase in effective tax rate from 29.1% to 29.5% was primarily due to a movement in net profits from minority investments.

Half Year Ended December 2022 versus June 2022

Corporate tax expense increased $79 million or 4% on the prior half.

The 50 basis points decrease in effective tax rate from 30.0% to 29.5% was primarily driven by a higher effective tax rate in the prior half due to the tax impact from the sale of a 10% shareholding in Bank of Hangzhou.

Group Assets and Liabilities

	As at				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Total Group Assets and Liabilities	**$M**	$M	$M	Jun 22 %	Dec 21 %
Interest earning assets					
Home loans [1]	**639,326**	621,993	605,910	3	6
Consumer finance	**16,974**	16,494	16,675	3	2
Business and corporate loans	**254,242**	244,380	226,042	4	12
Loans, bills discounted and other receivables [2]	**910,542**	882,867	848,627	3	7
Non-lending interest earning assets	**267,103**	269,827	247,911	(1)	8
Total interest earning assets	**1,177,645**	1,152,694	1,096,538	2	7
Other assets [2]	**54,788**	61,244	52,224	(11)	5
Assets held for sale [3]	**3**	1,322	1,051	(large)	(large)
Total assets	**1,232,436**	1,215,260	1,149,813	1	7
Interest bearing liabilities					
Transaction deposits [4]	**193,500**	188,917	182,425	2	6
Savings deposits [4]	**266,765**	275,997	266,661	(3)	–
Investment deposits	**206,893**	169,401	156,103	22	33
Other demand deposits	**79,973**	79,513	74,113	1	8
Total interest bearing deposits	**747,131**	713,828	679,302	5	10
Debt issues	**118,843**	116,902	117,466	2	1
Term funding from central banks [5]	**56,011**	54,807	52,828	2	6
Other interest bearing liabilities	**58,588**	64,251	60,106	(9)	(3)
Total interest bearing liabilities	**980,573**	949,788	909,702	3	8
Non-interest bearing transaction deposits	**130,542**	142,103	134,398	(8)	(3)
Other non-interest bearing liabilities	**48,778**	49,348	30,098	(1)	62
Liabilities held for sale [3]	**–**	1,183	952	(large)	(large)
Total liabilities	**1,159,893**	1,142,422	1,075,150	2	8

1 Home loans are presented gross of $70,190 million of mortgage offset balances (30 June 2022: $64,998 million; 31 December 2021: $66,167 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

2 Loans, bills discounted and other receivables exclude provisions for impairment which are included in other assets.

3 On 30 September 2022, CBA completed the sale of its Australian general insurance business (CommInsure General Insurance) to Hollard Group. The assets and liabilities held for sale in relation to this business have therefore been deconsolidated during the six months ended 31 December 2022, resulting in a decrease in the assets held for sale of $1,311 million and a decrease in the liabilities held for sale of $1,183 million.

4 Transaction and savings deposits includes $70,190 million of mortgage offset balances (30 June 2022: $64,998 million; 31 December 2021: $66,167 million).

5 Term funding from central banks includes the drawn balances of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme and Term Lending Facility.

Half Year Ended December 2022 versus December 2021

Total assets were $1,232 billion, an increase of $83 billion or 7% on the prior comparative period, driven by growth in home loans, business and corporate loans, non-lending interest earning assets, other assets and consumer finance balances, partly offset by lower assets held for sale.

Total liabilities were $1,160 billion, an increase of $85 billion or 8% on the prior comparative period, driven by growth in deposits, other non-interest bearing liabilities, term funding from central banks and debt issues, partly offset by a decrease in other interest bearing liabilities and liabilities held for sale.

The Bank continued to fund a significant portion of lending growth from customer deposits. Customer deposits represented 75% of total funding (31 December 2021: 73%).

Home loans

Home loan balances increased $33 billion to $639 billion, a 6% increase on the prior comparative period. The increase was driven by Retail Banking Services, New Zealand and Business Banking. Domestic home loan growth of 5% was below system. Proprietary mix for CBA branded home loans has remained flat at 58% of new business flows.

Group Performance Analysis (continued)

Group Assets and Liabilities (continued)

Australian home loans amount to $570 billion (31 December 2021: $539 billion) of which 71% were owner occupied, 28% were investment home loans and 1% were lines of credit (31 December 2021: 71% were owner occupied, 28% were investment home loans and 1% were lines of credit).

Consumer Finance

Consumer finance balances were $17 billion, a 2% increase on the prior comparative period, while system growth declined. The growth was driven by increased credit card spend and higher new business volumes in personal loans.

Business and corporate loans

Business and corporate loans increased $28 billion to $254 billion, a 12% increase on the prior comparative period. This was driven by a $14 billion or 13% increase in Business Banking (above system growth) reflecting diversified lending across a number of industries, with the largest growth in the Property, Agriculture and Hospitality sectors. Institutional lending balances increased by $13 billion or 15% primarily driven by an increase in pooled facilities and growth in corporate lending, warehouse facilities and the carbon and commodities financing portfolios. New Zealand business and rural lending increased $1 billion or 3% (excluding the impact of FX).

Domestic business lending (excluding institutional lending) increased 13%, above system growth.

Non-lending interest earning assets

Non-lending interest earning assets increased $19 billion to $267 billion, an 8% increase on the prior comparative period. This was mainly driven by higher reverse sale and repurchase agreements in Global Markets and an increase in liquid asset balances due to strong customer deposit growth, partly offset by a decline in the fair value of Government securities.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, increased $3 billion to $55 billion, a 5% increase on the prior comparative period, mainly driven by an increase in derivative assets due to movements in foreign currency and interest rates, partly offset by lower commodities inventory balances in Institutional Banking and Markets.

Total Interest bearing deposits

Total interest bearing deposits increased $68 billion to $747 billion, a 10% increase on the prior comparative period. Growth was driven by a $51 billion or 33% increase in investment deposits, reflecting greater demand for higher yielding term deposits, an $11 billion or 6% increase in transaction deposits, primarily in existing customer balances and mortgage offset accounts, and a $6 billion or 8% increase in other demand deposits driven by higher sale and repurchase agreements.

Domestic household deposits grew at 7%, below system growth.

Debt issues

Debt issues increased $1 billion to $119 billion, a 1% increase on the prior comparative period, to meet the Group's future funding and liquidity requirements.

Deposits satisfied the majority of the Bank's funding requirements, however the Group continued to regularly access both domestic and international wholesale debt markets.

Refer to pages 33-34 for further information on debt programs and issuance for the half year ended 31 December 2022.

Term funding from central banks

Term funding from central banks includes the drawn balance of the RBA Term Funding Facility and the RBNZ Funding for Lending Programme and Term Lending Facility. Term funding from central banks increased $3 billion to $56 billion, a 6% increase on the prior comparative period, driven by additional drawdown of the RBNZ Funding for Lending Programme.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, reduced $2 billion to $59 billion, a 3% decrease on the prior comparative period. The decrease was mainly driven by lower deposits from offshore banks.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits decreased $4 billion to $131 billion, a 3% decrease on the prior comparative period. The decrease was driven by greater demand for higher yielding deposits.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, increased $19 billion to $49 billion, a 62% increase on the prior comparative period. The increase was mainly driven by higher derivative liabilities due to movements in foreign currency and interest rates.

Half Year Ended December 2022 versus June 2022

Total assets increased $17 billion or 1% on the prior half, mainly driven by growth in home loans, business and corporate loans and consumer finance balances, partly offset by lower other assets, non-lending interest earning assets and assets held for sale.

Total liabilities increased $17 billion or 2% on the prior half, reflecting growth in deposits, debt issues and term funding from central banks, partly offset by a decrease in other interest bearing liabilities, liabilities held for sale and other non-interest bearing liabilities.

Customer deposits represented 75% of total funding (30 June 2022: 74%).

Group Assets and Liabilities (continued)

Home loans

Home loan balances increased $17 billion or 3% on the prior half, driven by growth in Retail Banking Services, New Zealand and Business Banking. Domestic home loan growth of 3% was in line with system. Proprietary mix for CBA branded home loans decreased from 60% to 58% of new business flows.

Consumer finance

Consumer finance balances increased 3% on the prior half, while system growth declined. The growth was driven by increased credit card spend and higher new business volumes in personal loans.

Business and corporate loans

Business and corporate loans increased $10 billion or 4% on the prior half, driven by a $6 billion or 5% growth in Business Banking (in line with system) reflecting diversified lending across a number of industries, with the largest growth in the Property, Hospitality and Retail sectors. Growth in institutional lending balances of $2 billion or 2% primarily in corporate lending, real estate and the commodities financing portfolios, partly offset by a decrease in pooled facilities. New Zealand business and rural lending increased 1% on the prior half (excluding the impact of FX).

Domestic business lending (excluding institutional lending) increased 5%, broadly in line with system growth.

Non-lending interest earning assets

Non-lending interest earning assets decreased $3 billion or 1% on the prior half. This was mainly driven by a decrease in reverse sale and repurchase agreements.

Other assets

Other assets, including derivative assets, property, plant and equipment and intangibles, reduced $6 billion or 11% on the prior half driven by a decrease in derivatives assets due to movements in foreign currency and interest rates.

Total interest bearing deposits

Total interest bearing deposits increased $33 billion or 5% on the prior half. Growth was driven by a $37 billion or 22% increase in investment deposits, reflecting greater demand for higher yielding term deposits, and a $5 billion or 2% increase in transaction deposits, primarily in mortgage offset accounts, partly offset by a $9 billion or 3% decline in savings deposits primarily in Institutional Banking and Markets.

Domestic household deposits grew at 3%, below system growth.

Debt issues

Debt issues increased $2 billion or 2% on the prior half, to meet the Group's future funding and liquidity requirements.
Refer to pages 33-34 for further information on debt programs and issuance for the half year ended 31 December 2022.

Term funding from central banks

Term funding from central banks increased $1 billion or 2% on the prior half, driven by additional drawdown of the RBNZ Funding for Lending Programme.

Other interest bearing liabilities

Other interest bearing liabilities, including loan capital, liabilities at fair value through income statement and amounts due to other financial institutions, decreased $6 billion or 9% on the prior half. The decrease was primarily driven by lower collateral balances from other financial institutions and lower foreign currency term deposits.

Non-interest bearing transaction deposits

Non-interest bearing transaction deposits decreased $12 billion or 8% on the prior half, mainly driven by greater demand for higher yielding term deposits.

Other non-interest bearing liabilities

Other non-interest bearing liabilities, including derivative liabilities, decreased $1 billion or 1% on the prior half. The decrease was mainly driven by lower derivative liabilities due to movements in foreign currency and interest rates.

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Group Operations & Business Settings

Contents

4. Group Operations & Business Settings

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Group Operations and Business Settings

Loan Impairment Provisions and Credit Quality

Provisions for Impairment

	As at				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Provisions for impairment losses					
Collective provisions	**4,900**	4,611	5,062	6	(3)
Individually assessed provisions	**641**	736	792	(13)	(19)
Total provisions for impairment losses	**5,541**	5,347	5,854	4	(5)
Less: Provision for off Balance Sheet exposures	**(137)**	(117)	(100)	17	37
Total provisions for loan impairment	**5,404**	5,230	5,754	3	(6)

Half Year Ended December 2022 versus December 2021

Total provisions for impairment losses as at 31 December 2022 were $5,541 million, a decrease of $313 million or 5% on the prior comparative period.

Collective provisions

- Consumer collective provisions decreased $292 million or 10% to $2,672 million. This reflects reduced COVID-19 uncertainties, partly offset by ongoing inflationary pressures, rising interest rates and a decline in house prices.
- Corporate collective provisions increased $130 million or 6% to $2,228 million. This reflects ongoing input cost pressures, supply chain disruptions and rising interest rates.

Individually assessed provisions

- Corporate individually assessed provisions decreased $114 million or 18% to $525 million. This was mainly driven by write-offs across various industry sectors, partly offset by the impairment of a small number of exposures.
- Consumer individually assessed provisions decreased $37 million or 24% to $116 million. This was mainly driven by lower arrears in the Australian home lending portfolio.

Half Year Ended December 2022 versus June 2022

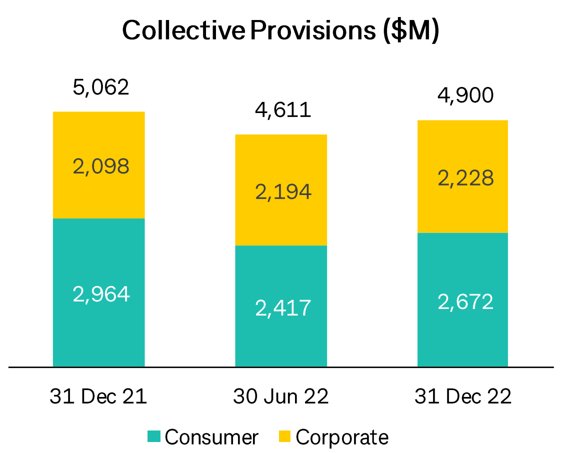
Total provisions for impairment losses increased $194 million or 4% on the prior half.

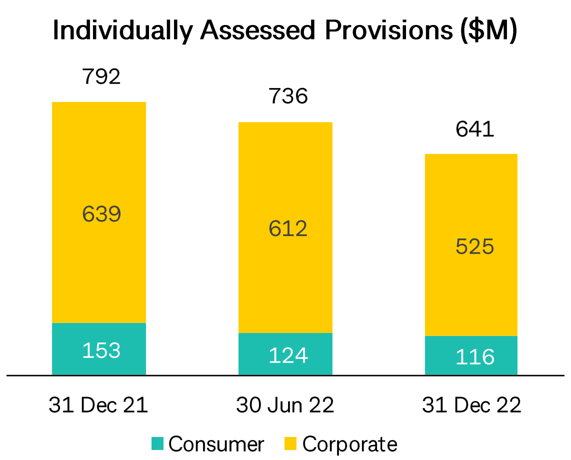
Collective provisions

- Consumer collective provisions increased $255 million or 11%. This primarily reflects ongoing inflationary pressures, rising interest rates and a decline in house prices.
- Corporate collective provisions increased $34 million or 2%. This mainly reflects ongoing input cost pressures, supply chain disruptions and rising interest rates, partly offset by an improvement in portfolio credit quality.

Individually assessed provisions

- Corporate individually assessed provisions decreased $87 million or 14%. This was mainly driven by write-offs across various industry sectors, partly offset by the impairment of a small number of exposures.
- Consumer individually assessed provisions decreased $8 million or 6%, reflecting lower arrears in the Australian home lending portfolio.





Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Credit Quality

	Half Year Ended				
Credit Quality Metrics	**31 Dec 22**	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Gross loans and acceptances (GLAA) ($M)	**912,835**	884,963	850,509	3	7
Risk weighted assets (RWA) ($M)	**504,380**	497,892	471,927	1	7
Credit RWA ($M)	**402,017**	393,647	390,687	2	3
Gross impaired assets ($M)	**3,036**	2,951	3,482	3	(13)
Net impaired assets ($M)	**2,084**	1,928	2,435	8	(14)
Provision Ratios					
Collective provision as a % of credit RWA	**1. 22**	1. 17	1. 30	5 bpts	(8)bpts
Total provisions as a % of credit RWA	**1. 38**	1. 36	1. 50	2 bpts	(12)bpts
Total provisions for impaired assets as a % of gross impaired assets	**31. 36**	34. 67	30. 07	(331)bpts	129 bpts
Total provisions for impaired assets as a % of gross impaired assets (corporate)	**51. 42**	58. 80	47. 99	(large)	343 bpts
Total provisions for impaired assets as a % of gross impaired assets (consumer)	**18. 87**	20. 74	17. 71	(187)bpts	116 bpts
Total provisions for impairment losses as a % of GLAAs	**0. 61**	0. 60	0. 69	1 bpt	(8)bpts
Asset Quality Ratios					
Gross impaired assets as a % of GLAAs	**0. 33**	0. 33	0. 41	–	(8)bpts
Loans 90+ days past due but not impaired as a % of GLAAs	**0. 30**	0. 35	0. 39	(5)bpts	(9)bpts
Loan impairment expense annualised as a % of average GLAAs	**0. 11**	(0. 07)	(0. 02)	18 bpts	13 bpts
Net write-offs annualised as a % of GLAAs	**0. 08**	0. 05	0. 08	3 bpts	–
Non-retail total committed exposures rated investment grade (%) [1]	**71. 03**	69. 70	68. 97	133 bpts	206 bpts
Australian Home Loan Portfolio					
Portfolio dynamic LVR (%) [2]	**44. 26**	44. 02	46. 22	24 bpts	(196)bpts
Customers in advance (%) [3]	**77. 63**	77. 95	78. 31	(32)bpts	(68)bpts

1 Investment grades based on CBA grade in S&P equivalent.
2 Loan to value ratio (LVR) defined as current balance as a percentage of the current valuation on Australian home loan portfolio.
3 Any amount ahead of monthly minimum repayment (including offset facilities).

Provision Ratios and Impaired Assets

As at 31 December 2022, total provisions as a proportion of credit RWA increased 2 basis points on the prior half to 1.38%. This was driven by higher collective provisions, reflecting ongoing inflationary pressures, supply chain disruptions, rising interest rates and a decline in house prices, partly offset by lower individually assessed provisions.

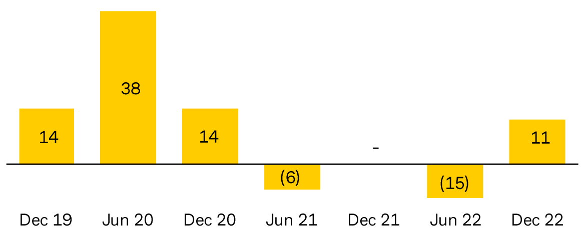
Gross impaired assets were $3,036 million, broadly flat on the prior half, with a small number of offsetting impairments and write-offs in the corporate portfolio. Gross impaired assets as a proportion of GLAAs were 0.33%, flat on the prior half.

Provision coverage for the impaired asset portfolio was 31.36%, a decrease of 331 basis points on the prior half, mainly driven by the write-off of a small number of corporate exposures and an increase in gross impaired assets in the corporate portfolio.

Retail Portfolio Asset Quality

Consumer loan impairment expense (LIE) as a percentage of average gross loans and acceptances (GLAAs) was 11 basis points, an increase of 26 basis points on the prior half, mainly driven by higher collective provision charges reflecting ongoing inflationary pressures, rising interest rates and a decline in house prices, and the non-recurrence of COVID-19 collective provision releases in the prior half.

Consumer LIE
Half Year Loan impairment expense annualised as percentage of average GLAAs (bpts)



Group Operations and Business Settings (continued)

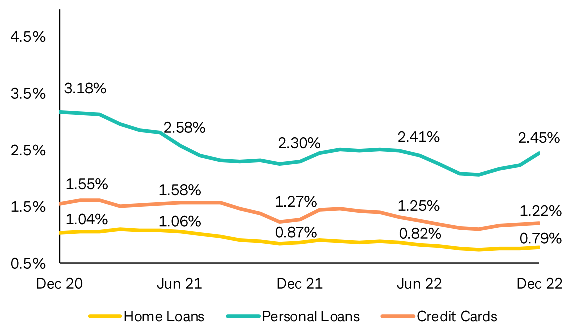
Loan Impairment Provisions and Credit Quality (continued)

Retail Portfolio Asset Quality (continued)

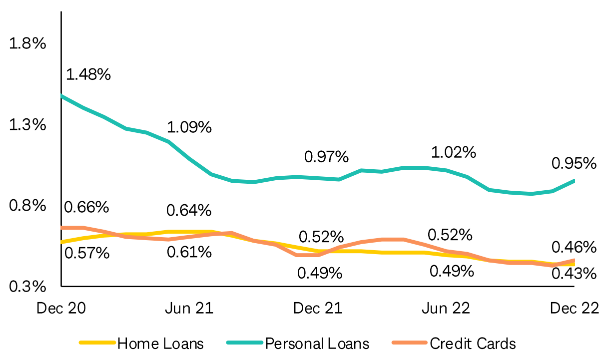
Home loan 90+ days arrears were 0.43%, a decrease of 6 basis points on the prior half, supported by a strong labour market. Credit cards and Personal loans 90+ days arrears were 0.46% and 0.95% respectively, a decrease of 6 basis points and 7 basis points on the prior half, mainly driven by seasonality and a strong labour market.

The home loan dynamic LVR was 44.26%, an increase of 24 basis points on the prior half. The home lending book remains well secured and the majority of home lending customers remain in advance of scheduled repayments.

30+ Days Arrears Ratios (%) [1]



90+ Days Arrears Ratios (%) [1]



1 Includes retail portfolios of Retail Banking Services, Business Banking and New Zealand.

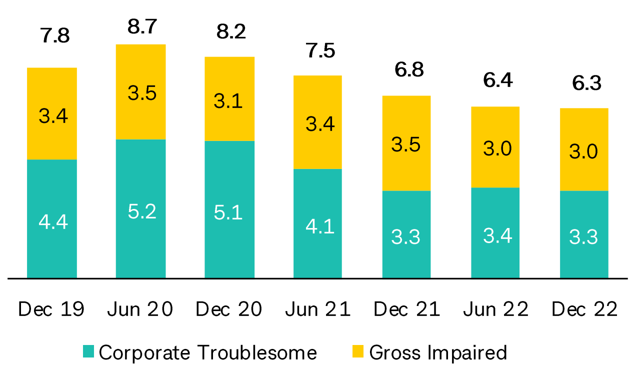
Corporate Portfolio Asset Quality

Corporate troublesome exposures were $3.3 billion, a decrease of $0.1 billion or 3% on the prior half, mainly driven by the transfer of a small number of exposures to the impaired portfolio, partly offset by net downgrades from a small number of exposures moving from performing into the troublesome portfolio.

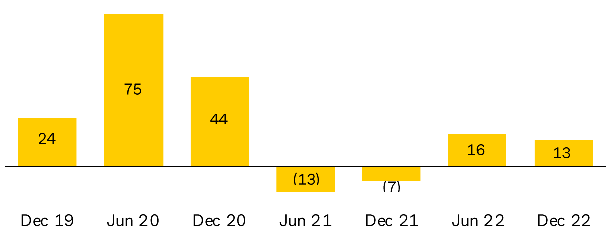
Investment grade rated exposures increased 133 basis points on the prior half to 71.03% of overall portfolio risk rated counterparties, reflecting an improvement in credit quality across a range of sectors.

Corporate LIE as a percentage of gross loans and acceptances was 13 basis points, a decrease of 3 basis points on the prior half, mainly driven by lower individually assessed provision charges reflecting an improvement in portfolio credit quality, partly offset by higher collective provisions reflecting ongoing input cost pressures, supply chain disruptions and rising interest rates.

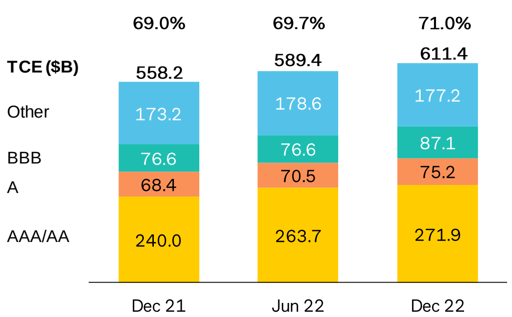
Troublesome and Impaired Assets ($B)



Corporate LIE
Half Year Loan impairment expense
annualised as percentage of average GLAA (bpts)



Corporate Portfolio Quality
% of book rated investment grade [1]



1 CBA grades in S&P equivalents.

Group Operations and Business Settings (continued)

Loan Impairment Provisions and Credit Quality (continued)

Industry Exposure and Asset Quality

The distribution of the Bank's credit exposures by sector remained relatively consistent during the half.

Movements in troublesome and impaired assets (TIA) were mixed across sectors, as total TIA decreased $128 million on the prior half to $6,275 million.

TIA as a percentage of total committed exposures (TCE) was 0.46%, a decrease of 2 basis points on the prior half reflecting:

- Media & Communications (down 104 basis points) mainly driven by the refinancing of a single exposure;
- Wholesale Trade (down 81 basis points) mainly driven by client upgrades and debt reductions;
- Entertainment, Leisure & Tourism (down 62 basis points) mainly driven by client upgrades and asset sales;
- Manufacturing (down 58 basis points) mainly driven by the write-off of a small number of exposures, partly offset by downgrades across a small number of exposures;
- Mining, Oil & Gas (down 46 basis points) mainly driven by the write-off of a single exposure;
- Transport & Storage (down 38 basis points) mainly driven by upgrades; and
- Agriculture & Forestry (down 30 basis points) mainly driven by refinancing and write-offs; partly offset by
- Construction (up 72 basis points) mainly driven by downgrades;
- Personal & Other Services (up 33 basis points) mainly driven by the downgrade of a single exposure; and
- Commercial Property (up 11 basis points) mainly driven by downgrades.

	Total Committed Exposures (TCE)		Troublesome and Impaired Assets (TIA)		TIA % of TCE	
	31 Dec 22	30 Jun 22	**31 Dec 22**	30 Jun 22	**31 Dec 22**	30 Jun 22
Sector	**%**	%	**$M**	$M	**%**	%
Consumer	**55. 6**	55. 9	**1,882**	1,887	**0. 25**	0. 25
Government, Admin. & Defence	**17. 0**	17. 0	**–**	–	**–**	–
Finance & Insurance	**6. 8**	6. 8	**58**	65	**0. 06**	0. 07
Commercial Property	**6. 5**	6. 5	**693**	574	**0. 77**	0. 66
Agriculture & Forestry	**2. 1**	2. 1	**585**	651	**2. 05**	2. 35
Transport & Storage	**1. 8**	1. 8	**327**	409	**1. 29**	1. 67
Manufacturing	**1. 4**	1. 3	**298**	356	**1. 54**	2. 12
Entertainment, Leisure & Tourism	**1. 1**	1. 0	**404**	468	**2. 72**	3. 34
Retail Trade	**1. 1**	1. 0	**270**	238	**1. 83**	1. 75
Wholesale Trade	**1. 0**	1. 0	**322**	400	**2. 24**	3. 05
Health & Community Services	**1. 0**	1. 0	**350**	307	**2. 60**	2. 35
Business Services	**1. 0**	1. 0	**254**	261	**1. 77**	2. 04
Electricity, Water & Gas	**0. 9**	0. 9	**10**	5	**0. 08**	0. 04
Construction	**0. 9**	0. 8	**476**	370	**4. 03**	3. 31
Mining, Oil & Gas	**0. 5**	0. 6	**56**	94	**0. 75**	1. 21
Media & Communications	**0. 4**	0. 4	**12**	68	**0. 20**	1. 24
Education	**0. 3**	0. 3	**15**	16	**0. 41**	0. 47
Personal & Other Services	**0. 2**	0. 2	**42**	31	**1. 34**	1. 01
Other	**0. 4**	0. 4	**221**	203	**2. 37**	3. 86
Total	**100. 0**	100. 0	**6,275**	6,403	**0. 46**	0. 48

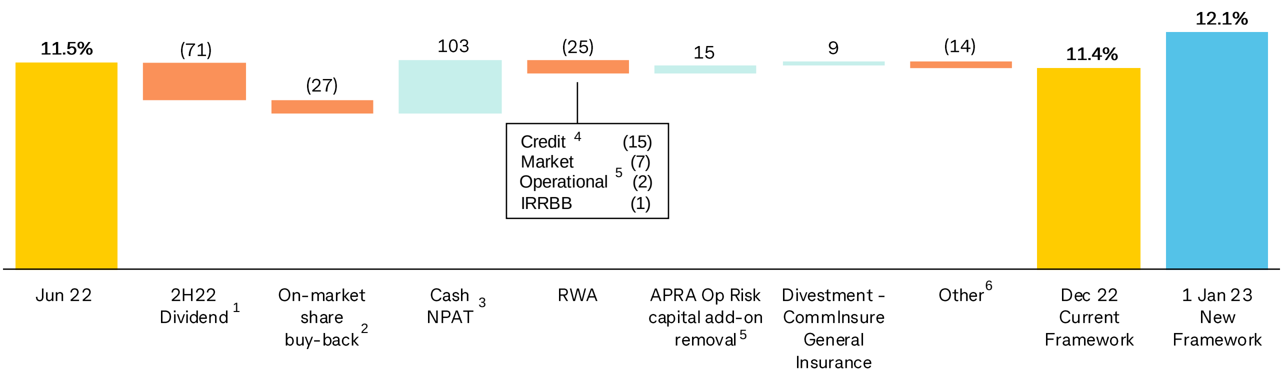
Group Operations and Business Settings (continued)

Capital

	As at				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Summary Group Capital Adequacy Ratios	**%**	%	%	Jun 22 %	Dec 21 %
Common Equity Tier 1	**11. 4**	11. 5	11. 8	(10)bpts	(40)bpts
Tier 1	**13. 3**	13. 6	14. 0	(30)bpts	(70)bpts
Tier 2	**4. 5**	4. 0	4. 0	50 bpts	50 bpts
Total Capital (APRA)	**17. 8**	17. 6	18. 0	20 bpts	(20)bpts
Common Equity Tier 1 (Internationally Comparable) [1]	**18. 5**	18. 6	18. 4	(10)bpts	10 bpts

1 Aligns with the 13 July 2015 APRA study titled "International capital comparison study".

Capital – CET1 (APRA)
-10bpts in 1H23



1 The 2022 final dividend included the on-market purchase of $598 million of shares (CET1 impact of 12 bpts) in respect of the Dividend Reinvestment Plan.
2 As at 31 December 2022, $1.8 billion of the previously announced $2 billion on-market share buy-back program has been completed, with 17,977,434 shares acquired at an average price of $100.01. $1.3 billion of this was completed in 1H23.
3 Excludes net equity accounted profits/losses from associates as they are capital neutral with offsetting changes in regulatory capital deductions.
4 Excludes impact of foreign exchange movements which is included in 'Other'.
5 Operational RWA received a +15bpts capital benefit from the removal of APRA's operational risk regulatory capital add-on of $500 million (reduction of $6.25 billion RWA). Excluding the impact of the add-on, underlying Operational RWA increased $1.1 billion with a CET1 impact of -2bpts.
6 Includes the impact of intangibles, FX impact on Credit RWA, equity accounted profits/losses from associates, movements in reserves and other regulatory adjustments.

Capital Position

The Group's CET1 ratio (APRA) was 11.4% as at 31 December 2022, a decrease of 10 basis points from 30 June 2022 and a decrease of 40 basis points from 31 December 2021. Excluding the payment of the 2H22 dividend (-71 basis points) and on-market share buy-back (-27 basis points), the CET1 ratio increased 88 basis points. The CET1 ratio was well above the current regulatory requirements at all times throughout the half year ended 31 December 2022.

Key drivers of the change in CET1 for the 6 months ended 31 December 2022 were:

- Capital generated from earnings (+103 basis points);
- Removal of the remaining $500 million of APRA's operational risk capital add-on (+15 basis points); and
- Completion of the sale of CommInsure General Insurance (+9 basis points); partly offset by
- Higher total RWA (-25 basis points) mainly driven by increased Credit RWA and Traded Market Risk RWA; and
- Other regulatory adjustments and movement in reserves (-14 basis points).

Further details on the movements in RWA are provided on page 29.

The Group is well placed to accommodate the changes under APRA's new capital framework effective 1 January 2023 and expects to operate with a post-dividend CET1 ratio of greater than 11.0%, compared to the revised APRA minimum of 10.25%, except in circumstances of unexpected capital volatility. The Group's 1 January 2023 pro-forma CET1 ratio under the new framework is 12.1%.

Internationally Comparable Capital Position

The Group's CET1 ratio as measured on an internationally comparable basis was 18.5% as at 31 December 2022, placing it amongst the top quartile of international peer banks.

Capital Initiatives

In addition to the on-market share buy-back, the following significant capital initiatives were undertaken during the half year ended 31 December 2022:

Common Equity Tier 1 Capital

- The DRP in respect of the 2022 final dividend was satisfied in full by the on-market purchase of shares. The participation rate for the final DRP was 16.8%.

Group Operations and Business Settings (continued)

Capital (continued)

Additional Tier 1 Capital

- In November 2022, the Group concurrently issued $1,777 million of CommBank PERLS XV Capital Notes and redeemed $1,577 million of CommBank PERLS VII Capital notes, both of which are Basel III compliant Additional Tier 1 capital; and
- In December 2022, the Group redeemed the remaining $1,423 million of CommBank PERLS VII Capital Notes.

Tier 2 Capital

The Group issued the following Basel III compliant subordinated notes:

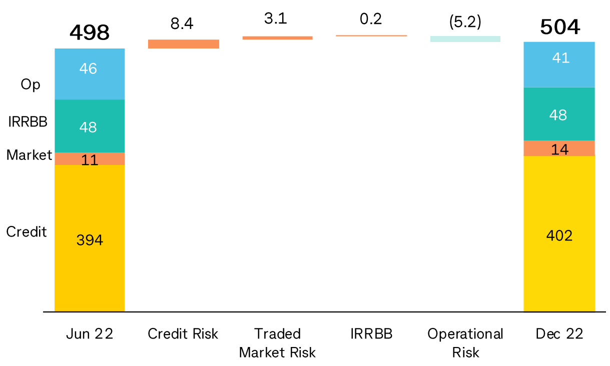
- HKD400 million and AUD300 million in September 2022;
- JPY20 billion in October 2022; and
- Two subordinated notes totalling AUD2,000 million in November 2022.

Risk Weighted Assets (RWA) [1]

Total Group Risk Weighted Assets

Total RWA increased $6.5 billion or 1% on the prior half to $504.4 billion, driven by growth in Credit Risk RWA and Traded Market Risk RWA, partly offset by a decrease in Operational Risk RWA.

Total Risk Weighted Assets ($B)



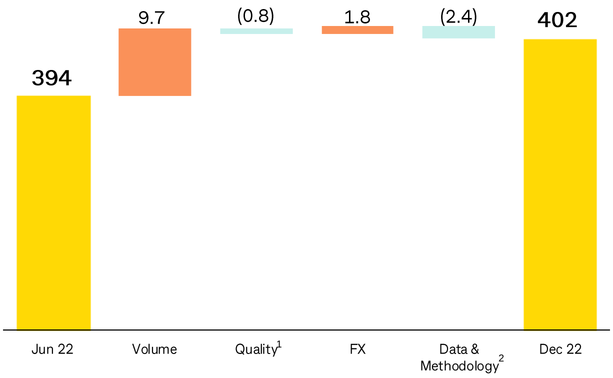
Credit Risk Weighted Assets

Credit Risk RWA increased $8.4 billion or 2% on the prior half to $402.0 billion. Key drivers include:

- Volume growth (increase of $9.7 billion) across commercial portfolios and residential mortgages, partly offset by a reduction in derivatives;
- Credit quality movement (decrease of $0.8 billion) driven by improvements in residential mortgages from reducing portfolio arrears rates;
- Foreign currency movements (increase of $1.8 billion); and
- Data and methodology, including changes to credit risk estimates (decrease of $2.4 billion), primarily related to regulatory approval of new residential mortgage and non-retail property probability of default models.

1 Due to rounding, numbers presented in this section may not sum precisely to the totals provided.

Credit Risk Weighted Assets ($B)



1 Credit quality includes portfolio mix.
2 Includes data and methodology, credit risk estimates changes and regulatory treatments.

Traded Market Risk Weighted Assets

Traded Market Risk RWA increased $3.1 billion or 29% on the prior half to $13.8 billion. This was mainly due to the impact of increased client activity, market volatility from rising interest rates and an associated increase in the APRA Risks-Not-In-VaR (RNIV) overlay.

Interest Rate Risk Weighted Assets

IRRBB RWA increased $0.2 billion on the prior half to $47.9 billion.

Operational Risk Weighted Assets

Operational Risk RWA decreased $5.2 billion or 11% on the prior half to $40.7 billion. This was primarily driven by the removal of APRA's operational risk regulatory capital add-on on 30 September 2022.

Regulatory Framework

APRA has implemented a set of capital, liquidity and funding reforms based on the Basel Committee on Banking Supervision (BCBS) "Basel III" framework. The objectives of the reforms are to increase the quality, consistency and transparency of capital, to enhance the risk coverage framework, and to reduce systemic and pro-cyclical risk.

Up until 1 January 2023, the APRA prudential standards required a minimum CET1 ratio or Prudential Capital Requirement (PCR) of 4.5%. An additional CET1 capital conservation buffer (CCB) of 3.5%, inclusive of a Domestic Systemically Important Bank (D-SIB) requirement of 1% and a countercyclical capital buffer (CCyB)[1] of 0%, brought the minimum CET1 ratio requirement to 8%. The minimum Tier 1 and Total Capital ratio requirements were 9.5% and 13% respectively.

Additionally under this capital framework, APRA's expectation was that the Australian major banks operate for the majority of the year with a CET1 ratio of 10.5% or more. As at 31 December 2022, the Group's CET1 ratio was 11.4%, and was above the 10.5% benchmark for the entire 2022 calendar year.

1 APRA has announced that the CCyB for Australian exposures was 0% up until 1 January 2023, based on its assessment of systemic risk in the banking sector. This will increase to 1% under the revised framework.

Capital (continued)

Regulatory Framework (continued)

In November 2021, APRA finalised the revisions to the overall design of the capital framework, which was implemented on 1 January 2023. These revisions include a 2.25% increase in the CCB, inclusive of a 1% CCyB, bringing the total CET1 requirement to 10.25%. The revised framework will result in changes to the calculation of RWA and will therefore result in changes to the presentation of bank capital ratios.

Refer to "Regulatory Reforms" section for further detail.

Pillar 3 Disclosures

Details on the market disclosures required under Pillar 3, per APRA Prudential Standard APS 330 "Public Disclosure", are provided on the Bank's website at:

www.commbank.com.au/regulatorydisclosures

Regulatory Reforms

APRA

Implementation of revised regulatory capital framework

From 1 January 2023, APRA implemented its revisions to the ADI capital framework. The objectives of these revisions are to increase the risk sensitivity within the capital framework, to enhance the ability of ADIs to respond flexibly to future stress events, and to improve the comparability of the Australian framework with international standards.

APRA's revisions included the following changes with respect to major Internal Ratings-based (IRB) ADIs such as CBA:

- A minimum CET1 ratio of 10.25%, which is comprised of a minimum PCR of 4.5% and a CCB of 5.75%, which includes a D-SIB buffer of 1% and a baseline CCyB set at 1%. The CCyB, which may be varied by APRA in the range of 0-350 basis points, can be released in times of systemic stress and post-stress recovery;
- Enhancing risk sensitivity in the residential mortgage and commercial property portfolio, through greater allowance of an ADI's own models to measure credit risk capital, and higher capital requirements for high-risk segments such as interest only and investor mortgages;
- Replacing the operational risk advanced measurement approach (AMA) with a standardised approach across the industry;
- Implementing a 72.5% output floor to limit the gap in capital requirements between standardised and IRB ADIs; and
- Further aligning the RWA of New Zealand banking subsidiaries at the consolidated group level by adopting a revised version of the RBNZ capital framework.

The minimum Tier 1 and Total Capital ratio requirements are 11.75% and 15.25% respectively. From 1 January 2024, D-SIBs, including CBA, will be required to hold additional Total Capital to satisfy APRA's loss-absorbing capacity requirements, bringing the Total Capital ratio requirement to 16.75%. From 1 January 2026, the requirement will increase again to 18.25%.

Other APRA Revisions

In January 2022, APRA changed its approach on equity exposures to banking and insurance subsidiaries of ADIs under the revised APS 111 "Capital Adequacy: Measurement of Capital". The revised standard requires each individual equity exposure to be risk-weighted at 250% up to 10% of the ADI's Level 1 CET1 capital, with any excess above that threshold to be deducted from Level 1 CET1 capital. The revision resulted in an increase to the Group's Level 1 CET1 ratio of 20 basis points. There is no impact to the Group's Level 2 CET1 ratio.

On 1 January 2022, the APRA requirements released under the final APS 222 "Associations with Related Entities" came into effect. The revised standard is intended to strengthen the ability of ADIs to monitor, limit and control risk arising from transactions and other associations with related entities.

On 1 January 2022, the APRA requirements released under the final APS 220 "Credit Risk Management" came into effect. The revised standard is broader in application covering credit standards as well as the ongoing monitoring and management of credit portfolios.

In November 2022, APRA provided an update on the proposed changes to APS 117 "Capital Adequacy: Interest Rate Risk in the Banking Book" and following industry consultation it expects to implement the new requirements from 1 January 2025. Changes to APS 116 "Capital Adequacy: Market Risk", also known as the Fundamental Review of the Trading Book, and APS 180 "Capital Adequacy: Counterparty Credit Risk" are scheduled for a delayed implementation in 2026. APRA is yet to commence consultation on the changes to APS 116 and APS 180.

Reserve Bank of New Zealand (RBNZ)

In June 2021, the RBNZ finalised its bank capital adequacy requirements. These requirements include the RWA of New Zealand IRB banks, such as ASB Bank Limited, increasing to approximately 90% of that required under a standardised approach. In addition, for those banks deemed systemically important, including ASB, the Tier 1 capital requirement will increase to 16% of RWA, of which 13.5% must be in the form of CET1 capital. Tier 2 capital will remain in the framework, and can contribute up to 2% of the 18% minimum Total Capital ratio. Existing Additional Tier 1 and Tier 2 instruments issued by New Zealand banks will no longer be eligible under RBNZ's new capital criteria.

These reforms have been phased in from 1 October 2021 with full implementation on 1 July 2028.

Group Operations and Business Settings (continued)

Leverage Ratio

Summary Group Leverage Ratio	As at 31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Tier 1 Capital ($M)	**66,864**	67,558	66,027	(1)	1
Total Exposures ($M) [1]	**1,318,783**	1,295,368	1,240,349	2	6
Leverage Ratio (APRA) (%)	**5. 1**	5. 2	5. 3	(10)bpts	(20)bpts
Leverage Ratio (Internationally Comparable) (%) [2]	**5. 7**	5. 9	6. 2	(20)bpts	(50)bpts

1 Total exposures is the sum of on Balance Sheet exposures, derivatives, Securities Financing Transactions (SFTs), and off Balance Sheet exposures, net of any Tier 1 regulatory deductions, as outlined in APS 110 "Capital Adequacy".

2 The Tier 1 Capital included in the calculation of the internationally comparable leverage ratio aligns with the 13 July 2015 APRA study titled "International capital comparison study", and includes Basel III non-compliant Tier 1 instruments that are currently subject to transitional rules.

The Group's leverage ratio, defined as Tier 1 Capital as a percentage of total exposures, was 5.1% at 31 December 2022 on an APRA basis. The ratio decreased 10 basis points from 30 June 2022, driven by a 2% increase in exposures due to higher lending volumes and a 1% decrease in Tier 1 Capital mainly due to share buy-backs and the net redemption of PERLS during the period. The leverage ratio was 5.7% at 31 December 2022 on an internationally comparable basis.

In November 2021, APRA released final prudential standards, which included changes to the definition of exposures related to derivatives and off Balance Sheet items and a minimum leverage ratio requirement of 3.5% for IRB banks, applicable from 1 January 2023. These changes will not have a material impact on the Group's leverage ratio.

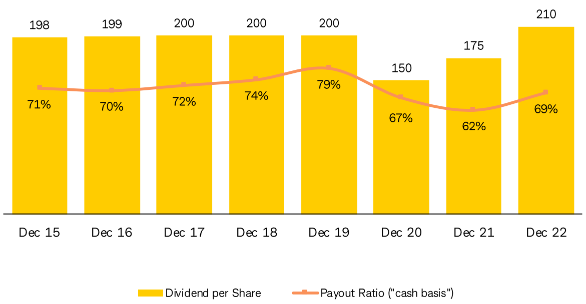
Dividends

Interim dividend for the Half Year Ended 31 December 2022

The interim dividend determined was $2.10 per share, an increase of 35 cents on the prior comparative period. The dividend payout ratio ("cash basis") for the half year ended 31 December 2022 was 69%.

The interim dividend will be fully franked and will be paid on or around 30 March 2023 to owners of ordinary shares at the close of business on 23 February 2023 (record date). Shares will be quoted ex-dividend on 22 February 2023.

Interim Dividend History (cents per share)



Dividend Reinvestment Plan (DRP)

The DRP will continue to be offered to shareholders, and no discount will be applied to shares allocated under the plan for the interim dividend. The DRP for the 2023 interim dividend is anticipated to be satisfied in full by an on-market purchase of shares.

Dividend Policy

The Bank will seek to:

- Pay cash dividends at predictable and sustainable levels;
- Target a full year payout ratio of 70% to 80%; and
- Maximise the use of its franking account by paying fully franked dividends.

Group Operations and Business Settings (continued)

Liquidity

Level 2	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	Quarterly Average Ended [1]				
Liquidity Coverage Ratio (LCR) Liquid Assets					
High Quality Liquid Assets (HQLA) [2]	**185,465**	174,138	169,750	7	9
Committed Liquidity Facility (CLF) [3]	**7,500**	17,277	30,000	(57)	(75)
Total LCR liquid assets	**192,965**	191,415	199,750	1	(3)
Net Cash Outflows (NCO)					
Customer deposits	**111,862**	110,616	110,647	1	1
Wholesale funding	**16,178**	16,265	16,513	(1)	(2)
Other net cash outflows [4]	**19,049**	20,916	22,485	(9)	(15)
Total NCO	**147,089**	147,797	149,645	–	(2)
Liquidity Coverage Ratio (%)	**131**	130	134	100 bpts	(300)bpts
LCR surplus	**45,876**	43,618	50,105	5	(8)

1 The averages presented are calculated as simple averages of daily observations over the quarter. Spot LCR for 31 December 2022 was 130% (30 June 2022: 127%; 31 December 2021: 135%).

2 Includes all repo-eligible securities with the Reserve Bank of New Zealand. The amount of open-repo of Internal Residential Mortgage-Backed Securities and Exchange Settlement Account (ESA) cash balance held by the Reserve Bank of Australia to facilitate intra-day cash flows is shown net.

3 Spot Committed Liquidity Facility (CLF) for 31 December 2022 was $7.5 billion (30 June 2022: $15 billion; 31 December 2021: $30 billion).

4 Includes cash inflows.

Liquidity Coverage Ratio (LCR)

The Group holds high quality, well diversified liquid assets to meet Balance Sheet liquidity needs, and regulatory requirements, including APRA's Liquidity Coverage Ratio (LCR). The LCR requires Australian Authorised Deposit-taking Institutions (ADIs) to hold sufficient liquid assets to meet 30 day Net Cash Outflows (NCOs) projected under a prescribed stress scenario. LCR liquid assets consist of High Quality Liquid Assets (HQLA) in the form of cash, deposits with central banks, government securities, and other repo-eligible securities with the Reserve Bank of Australia (RBA) under the Committed Liquidity Facility (CLF).

In September 2021, APRA announced a sector-wide phased reduction in the reliance on the CLF to zero by the end of calendar year 2022, subject to financial market conditions, as APRA and the RBA expect there will be sufficient HQLA for ADIs to meet their LCR requirements without the need to utilise the CLF. The Group's access to CLF reduced by $7.5 billion in the current half to $7.5 billion as at 31 December 2022 (30 June 2022: $15 billion; 31 December 2021: $30 billion).

From 1 January 2023, the aggregate RBA CLF has been fully phased-out to zero.

The Group's December 2022 quarterly average LCR was 131%, an increase of 1% compared to the quarterly average ended 30 June 2022, and a decrease of 3% from the quarterly average ended 31 December 2021.The LCR remains well above the regulatory minimum of 100%.

The Group's LCR liquid assets and 30 day modelled NCOs remained stable compared to the quarterly average ended 30 June 2022.

Group Operations and Business Settings (continued)

Funding

Group Funding [1]	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	As at				
Customer deposits	**799,608**	777,763	741,046	3	8
Short-term wholesale funding [2]	**77,709**	82,239	86,760	(6)	(10)
Long-term wholesale funding - less than or equal to one year residual maturity [3]	**36,941**	24,696	28,233	50	31
Long-term wholesale funding - more than one year residual maturity [3]	**158,542**	161,427	147,293	(2)	8
IFRS MTM and derivative FX revaluations	**(8,334)**	(5,684)	2,569	(47)	(large)
Total wholesale funding	**264,858**	262,678	264,855	1	–
Short-term collateral deposits [4]	**585**	6,316	6,369	(91)	(91)
Total funding	**1,065,051**	1,046,757	1,012,270	2	5

1. Shareholders' equity is excluded from this view of funding sources.
2. Short-term wholesale funding includes debt with an original maturity or call date of less than or equal to 12 months, and consists of certificates of deposit and bank acceptances, debt issued under the Euro Medium Term Note (EMTN) programme and the domestic, Euro and US commercial paper programmes of Commonwealth Bank of Australia and ASB. Short-term wholesale funding also includes deposits from banks and central banks as well as net securities that are not classified as high quality liquid assets sold or purchased under repurchase agreements.
3. Long-term wholesale funding includes debt with an original maturity or call date of greater than 12 months and the Group's drawn TFF allowance.
4. Short-term collateral deposits includes net collateral received, Vostro balances, and other net repurchase agreements not reported above, including the amount pledged with the Reserve Bank to facilitate intra-day cash flows in the Exchange Settlement Account (ESA).

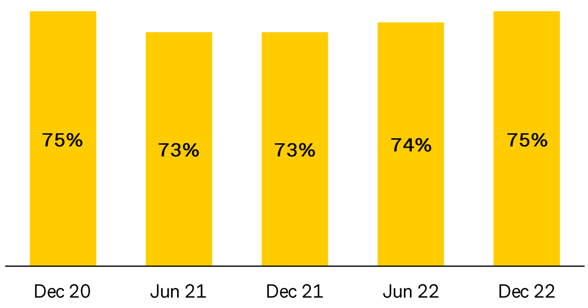
Customer Deposits

Customer deposits accounted for 75% of total funding at 31 December 2022 (30 June 2022: 74%, 31 December 2021: 73%). The Group satisfied a significant proportion of its funding requirements from retail, business, and institutional customer deposits.

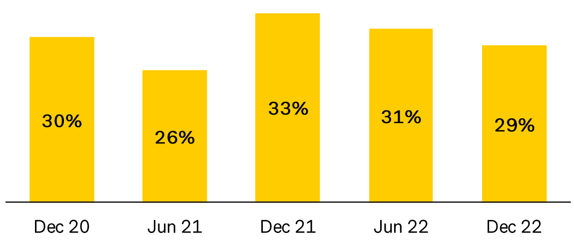
Short-Term Wholesale Funding

Short-term wholesale funding accounted for 29% of total wholesale funding at 31 December 2022 (30 June 2022: 31%, 31 December 2021: 33%). The Group continues to maintain a conservative funding mix.

Customers Deposits to Total Funding Ratio



Short-Term to Total Wholesale Funding Ratio



Group Operations and Business Settings (continued)

Funding (continued)

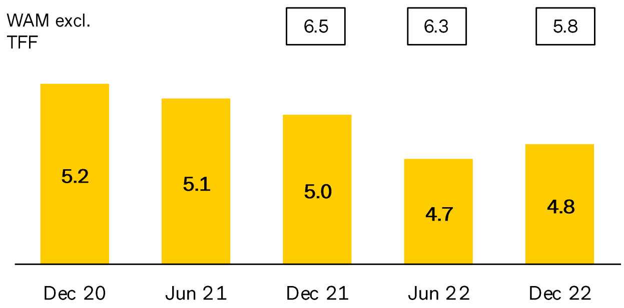
Long-Term Wholesale Funding

Long-term wholesale funding (including IFRS MTM and derivative FX revaluations) accounted for 71% of total wholesale funding at 31 December 2022 (30 June 2022: 69%, 31 December 2021: 67%).

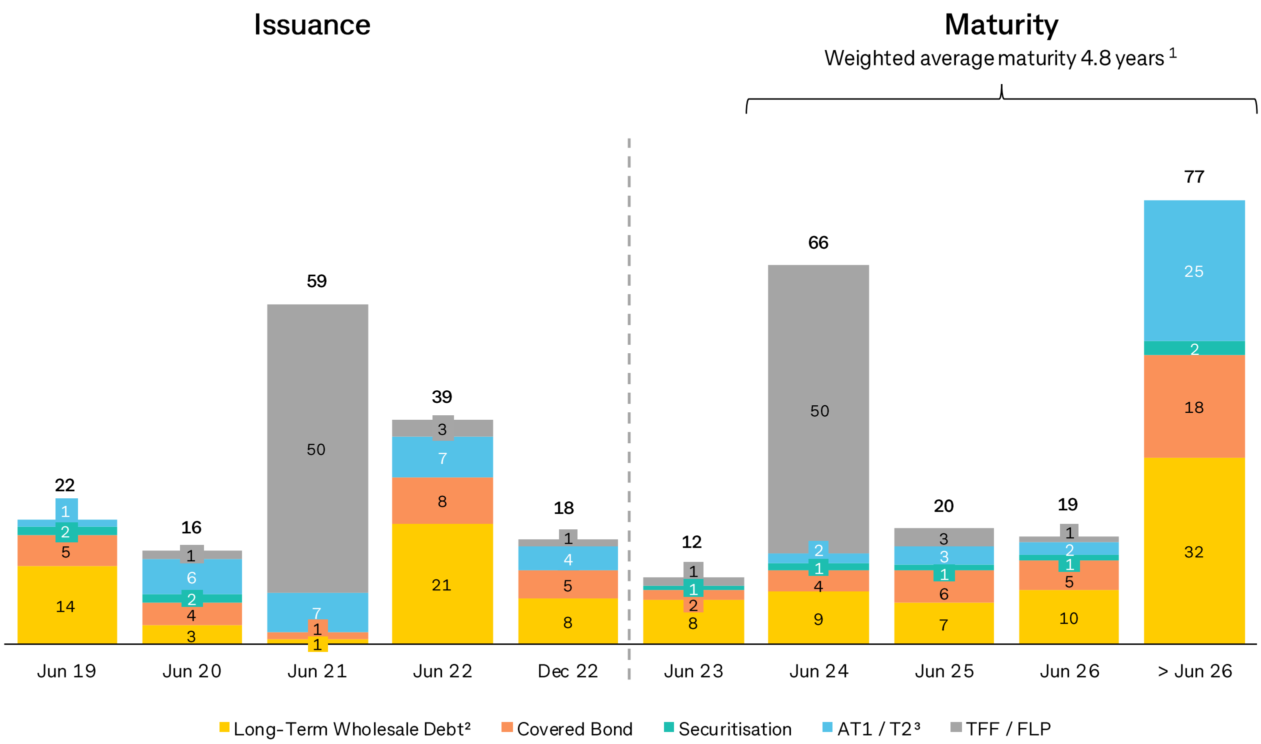
During the half year to 31 December 2022, the Group raised $18 billion of long-term wholesale funding across various instruments. The Group will be actively managing the maturity profile of the TFF across the 2023 – 2025 financial years through a range of funding sources.

The Weighted Average Maturity (WAM) of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2022 was 4.8 years (5.8 years excluding the TFF).

Weighted Average Maturity of Long-Term Wholesale Debt (years) [1]



Long-Term Wholesale Funding Profile ($B)



1 Represents the weighted average maturity of outstanding long-term wholesale debt with a residual maturity greater than 12 months at 31 December 2022 including the TFF drawdown.
2 Includes Senior Bonds and Structured MTN.
3 Additional Tier 1 and Tier 2 Capital.

Group Operations and Business Settings (continued)

Net Stable Funding Ratio (NSFR)

	As at				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Level 2	**$M**	$M	$M	Jun 22 %	Dec 21 %
Required Stable Funding					
Residential Mortgages ≤35% [1,2,3]	**333,121**	318,209	295,637	5	13
Other Loans	**266,835**	258,189	251,753	3	6
Liquid and Other Assets	**63,008**	62,826	71,856	–	(12)
Total Required Stable Funding	**662,964**	639,224	619,246	4	7
Available Stable Funding					
Capital	**104,848**	103,255	104,034	2	1
Retail and SME Deposits	**492,420**	477,365	467,757	3	5
Wholesale Funding and Other	**258,195**	252,689	240,777	2	7
Total Available Stable Funding	**855,463**	833,309	812,568	3	5
Net Stable Funding Ratio (NSFR) (%)	**129**	130	131	(100)bpts	(200)bpts

Net Stable Funding Ratio (NSFR)

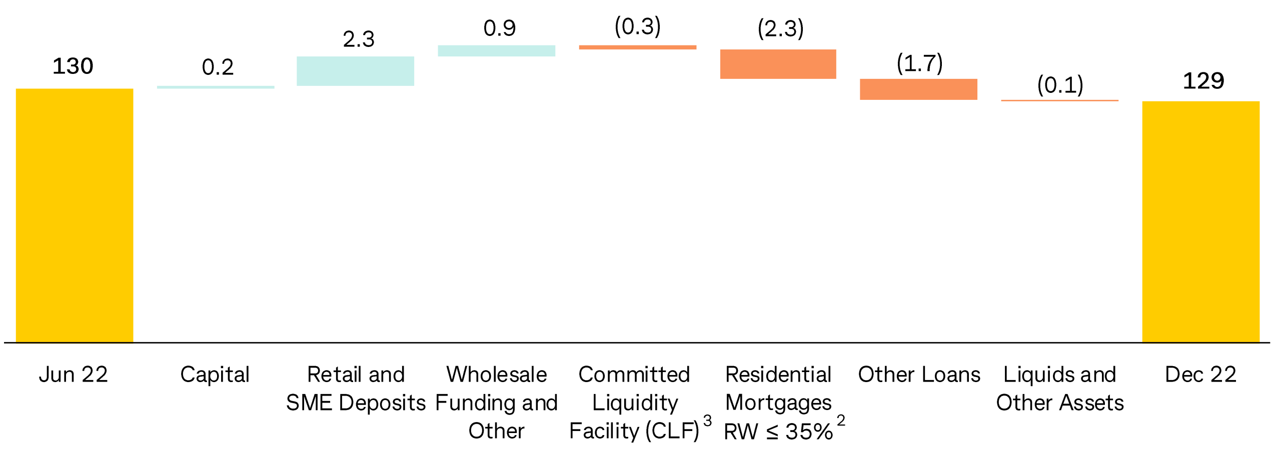
The Net Stable Funding Ratio (NSFR) requirement is designed to encourage stable funding of core assets. APRA prescribed factors are used to determine the stable funding requirement of assets and the stability of funding sources.

The Group's NSFR was 129% at 31 December 2022, a decrease of 1% from 130% at 30 June 2022 and a decrease of 2% from 131% at 31 December 2021. The NSFR remains well above the regulatory minimum of 100%.

The 4% increase in Required Stable Funding (RSF) over the half primarily reflects growth in residential mortgages and business lending, and the impact of the ongoing phase out of the CLF.

The 3% increase in Available Stable Funding (ASF) over the half was mainly driven by growth in Retail and SME deposits, and increase in wholesale funding.

NSFR Movement (%)



1 This represents residential mortgages with a risk weighting of less than or equal to 35% under APRA standard APS 112 "Capital Adequacy: Standardised Approach to Credit Risk".
2 Primarily reflecting the impact on NSFR from volume growth in mortgages.
3 For the purpose of calculating NSFR, the residential mortgages that have been pledged as collateral for the CLF received a lower RSF factor. The reduction in the Group's CLF allowance in the current half has resulted in an increased RSF factor for these mortgages (as they are no longer pledged as collateral) and therefore increased the RSF, reducing NSFR.

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Divisional Performance

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Divisional Performance

Divisional Summary

Divisional Summary	Retail Banking Services [2] $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Total $M
	Half Year Ended 31 December 2022					
Net interest income	5,775	3,832	710	1,364	(44)	**11,637**
Other operating income	615	587	406	231	117	**1,956**
Total operating income	6,390	4,419	1,116	1,595	73	**13,593**
Operating expenses	(2,320)	(1,340)	(529)	(555)	(1,029)	**(5,773)**
Loan impairment (expense)/benefit	(237)	(263)	39	(45)	(5)	**(511)**
Net profit/(loss) before tax	3,833	2,816	626	995	(961)	**7,309**
Corporate tax (expense)/benefit	(1,142)	(844)	(173)	(277)	280	**(2,156)**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,691	1,972	453	718	(681)	**5,153**

	Retail Banking Services [2] %	Business Banking %	Institutional Banking and Markets %	New Zealand %	Corporate Centre and Other %	Total %
	Half Year Ended 31 December 2022 vs Half Year Ended 31 December 2021 [1]					
Net interest income	19	33	(11)	16	(large)	**19**
Other operating income	(12)	(4)	13	(10)	(73)	**(17)**
Total operating income	**15**	**27**	**(3)**	**11**	**(85)**	**12**
Operating expenses	3	3	8	11	10	**5**
Loan impairment expense	large	large	69	large	(78)	**large**
Net profit before tax	**17**	**31**	**(20)**	**6**	**(large)**	**9**
Corporate tax expense	17	31	(11)	5	large	**11**
Net profit/(loss) after tax from continuing operations - "cash basis"	**16**	**31**	**(23)**	**6**	**(large)**	**9**

1 Comparative information has been restated to conform to presentation in the current period.
2 Retail Banking Services including General Insurance.

Divisional Performance (continued)

Divisional Summary (continued)

	Half Year Ended 31 December 2022 vs Half Year Ended 30 June 2022 [1]					
	Retail Banking Services [2]	Business Banking	Institutional Banking and Markets	New Zealand	Corporate Centre and Other	Total
	%	%	%	%	%	%
Net interest income	21	29	(6)	18	(large)	**20**
Other operating income	(8)	(5)	2	(3)	(87)	**(32)**
Total operating income	**18**	**23**	**(3)**	**14**	**(93)**	**8**
Operating expenses	9	(1)	7	3	(28)	**(3)**
Loan impairment expense	large	large	(large)	(8)	large	**large**
Net profit before tax	**3**	**31**	**(3)**	**23**	**(large)**	**6**
Corporate tax expense	2	31	(2)	24	large	**4**
Net profit/(loss) after tax from continuing operations - "cash basis"	**4**	**31**	**(3)**	**23**	**(large)**	**6**

1 Comparative information has been restated to conform to presentation in the current period.
2 Retail Banking Services including General Insurance.

Retail Banking Services

Overview

Retail Banking Services provides simple, convenient and affordable banking and general insurance products and services to personal and private bank customers, helping them manage their everyday banking needs, buy a home, protect their assets, or invest for the future. We support our customers through an extensive network of more than 750 branches and 2,000 ATMs, Australian-based customer call centres, leading online services and apps, as well as mobile banking specialists, private bankers and support teams. Retail Banking Services also include the financial results of retail banking activities conducted under the Bankwest brand.

On 30 November 2021, the Group ceased to provide financial advice services under Commonwealth Financial Planning (CFP) after a partial transfer to AIA Financial Services Limited. This component of Commonwealth Financial Planning does not constitute a major line of the Group's business, and as such the financial results are treated as continuing operations and included in the account lines of Retail Banking Services' performance.

On 30 September 2022, CBA completed the sale of its Australian general insurance business (CommInsure General Insurance) to Hollard Group (Hollard). As CommInsure General Insurance does not constitute a major line of the Group's business, the financial results of CommInsure General Insurance are treated as continuing operations and included in the account lines of Retail Banking Services' performance.

	Half Year Ended [1]					
	Retail Banking (excluding General Insurance)					Total RBS [2]
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %	**31 Dec 22 $M**
Net interest income	**5,775**	4,757	4,845	21	19	**5,775**
Other operating income	**656**	640	716	3	(8)	**615**
Total operating income	**6,431**	5,397	5,561	19	16	**6,390**
Operating expenses	**(2,305)**	(2,092)	(2,229)	10	3	**(2,320)**
Loan impairment (expense)/benefit	**(237)**	413	(7)	large	large	**(237)**
Net profit before tax	**3,889**	3,718	3,325	5	17	**3,833**
Corporate tax expense	**(1,159)**	(1,116)	(984)	4	18	**(1,142)**
Cash net profit after tax excluding General Insurance	**2,730**	2,602	2,341	5	17	**2,691**
Cash net loss after tax from General Insurance	**(39)**	(2)	(28)	(large)	(39)	**n/a**
Total cash net profit after tax	**2,691**	2,600	2,313	4	16	**2,691**

1 Comparative information has been restated to conform to presentation in the current period.
2 RBS including General Insurance.

Divisional Performance (continued)

Retail Banking Services (continued)

Income analysis	Half Year Ended [1] Retail Banking (excluding General Insurance) 31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %	Total RBS [2] 31 Dec 22 $M
Net interest income						
Home loans	**2,590**	2,883	3,121	(10)	(17)	**2,590**
Consumer finance & other [3]	**461**	539	566	(14)	(19)	**461**
Deposits	**2,724**	1,335	1,158	large	large	**2,724**
Total net interest income	**5,775**	4,757	4,845	21	19	**5,775**
Other operating income						
Home loans	**131**	136	142	(4)	(8)	**131**
Consumer finance [4]	**170**	151	181	13	(6)	**170**
Deposits	**238**	223	216	7	10	**238**
Distribution & other [5]	**117**	130	167	(10)	(30)	**101**
Funds management and insurance income	**–**	–	10	–	(large)	**(25)**
Total other operating income	**656**	640	716	3	(8)	**615**
Total operating income	**6,431**	5,397	5,561	19	16	**6,390**

Balance Sheet (excluding General Insurance)	As at [1] 31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Home loans [6]	**469,844**	456,481	441,277	3	6
Consumer finance [4]	**11,452**	11,024	10,941	4	5
Other interest earning assets	**2,261**	2,303	2,236	(2)	1
Total interest earning assets	**483,557**	469,808	454,454	3	6
Other assets	**5,994**	5,756	7,147	4	(16)
Total assets	**489,551**	475,564	461,601	3	6
Transaction deposits [7]	**55,741**	51,751	51,106	8	9
Savings deposits [7]	**160,644**	159,594	155,936	1	3
Investment deposits & other	**73,845**	63,639	62,010	16	19
Total interest bearing deposits	**290,230**	274,984	269,052	6	8
Non-interest bearing transaction deposits	**52,409**	57,343	52,576	(9)	–
Other non-interest bearing liabilities	**5,757**	5,499	3,801	5	51
Total liabilities	**348,396**	337,826	325,429	3	7

1 Comparative information has been restated to conform to presentation in the current period.
2 RBS including General Insurance.
3 Consumer finance and other includes personal loans, credit cards and business lending.
4 Consumer finance includes personal loans and credit cards.
5 Distribution includes income associated with the sale of foreign exchange and wealth products. Other includes merchants and business lending.
6 Home loans are presented gross of $55,969 million of mortgage offset balances (30 June 2022: $52,377 million; 31 December 2021: $52,320 million). These balances are required to be grossed up under accounting standards but are netted down for the calculation of customer interest payments.
7 Transaction and Savings deposits includes $55,969 million of mortgage offset balances (30 June 2022: $52,377 million; 31 December 2021: $52,320 million).

Divisional Performance (continued)

Retail Banking Services (continued)

Key Financial Metrics (excluding General Insurance)	Half Year Ended [1] 31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Performance indicators					
Net interest margin (%)	**2. 74**	2. 35	2. 44	39 bpts	30 bpts
Return on assets (%)	**1. 1**	1. 1	1. 0	–	10 bpts
Operating expenses to total operating income (%)	**35. 8**	38. 8	40. 1	(300)bpts	(430)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 10**	(0. 18)	–	28 bpts	10 bpts
Other information					
Average interest earning assets ($M) [2]	**418,807**	408,033	393,307	3	6
Risk weighted assets ($M) [3]	**165,002**	166,565	162,570	(1)	1
90+ days home loan arrears (%)	**0. 45**	0. 51	0. 54	(6)bpts	(9)bpts
90+ days consumer finance arrears (%)	**0. 64**	0. 70	0. 67	(6)bpts	(3)bpts
Number of full-time equivalent staff (FTE)	**16,524**	16,947	17,025	(2)	(3)

1 Comparative information has been restated to conform to presentation in the current period.
2 Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Average interest earning assets are also used in the calculation of divisional net interest margin.
3 Includes General Insurance.

Financial Performance and Business Review [1]

Half Year Ended December 2022 versus December 2021

Retail Banking Services cash net profit after tax for the half year ended 31 December 2022 was $2,730 million, an increase of $389 million or 17% on the prior comparative period. The result reflected a 16% increase in operating income, a 3% increase in operating expenses and a $230 million increase in loan impairment expense.

Net Interest Income

Net interest income was $5,775 million, an increase of $930 million or 19% on the prior comparative period. This was driven by a 30 basis point increase in net interest margin and a 6% increase in average interest earning assets.

Net interest margin increased by 30 basis points on the prior comparative period, reflecting:

- Improved deposit margins, including earnings on replicated products, due to the rising interest rate environment; and
- Higher earnings on equity; partly offset by
- Lower home lending margins reflecting the impact of cash and swap rates on pricing, and increased competition; and
- Lower consumer finance margins mainly reflecting the impact of cash rates on pricing and reduction in the proportion of credit card balances earning interest.

Other Operating Income

Other operating income was $656 million, a decrease of $60 million or 8% on the prior comparative period, reflecting:

- Non-recurrence of AIA partnership payments received in the prior comparative period; partly offset by
- Increased volume driven foreign exchange and deposit fee income.

Operating Expenses

Operating expenses were $2,305 million, an increase of $76 million or 3% on the prior comparative period. This was primarily driven by inflation, additional resources to support increased financial crime monitoring activities, as well as higher IT spend and amortisation, partly offset by productivity initiatives including workforce and branch optimisation, and lower customer remediation.

The number of full-time equivalent staff (FTE) decreased by 501 FTE or 3% on the prior comparative period, from 17,025 to 16,524. This was driven by workforce optimisation and decreased loan application processing resources, partly offset by investment in lenders and additional resources to deliver strategic initiatives.

Investment spend focused on strategic growth and productivity initiatives including product and service innovation, digital enhancements, partnership integration, and home buying process optimisation. We have also continued to invest in risk and compliance initiatives.

The operating expenses to operating income ratio was 35.8%, a decrease of 430 basis points on the prior comparative period, reflecting higher operating income.

1 In order to provide an underlying view of performance, the commentary below has been presented excluding the impact of the General Insurance business for which commentary has been provided separately.

Divisional Performance (continued)

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Loan Impairment Expense

Loan impairment expense was $237 million, an increase of $230 million on the prior comparative period. The result was mainly driven by higher collective provisions reflecting ongoing inflationary pressures, rising interest rates and decline in house prices.

Loan impairment expense as a percentage of average gross loans and acceptances increased 10 basis points on the prior comparative period to 0.10%.

Home loan and consumer finance 90+ days arrears decreased by 9 basis points and 3 basis points to 0.45% and 0.64%, respectively, supported by a strong labour market.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $28.6 billion or 6%, broadly in line with system. Proprietary mix for CBA branded home loans has remained flat at 58% of new business flows;
- Consumer finance increase of $0.5 billion or 5%, driven by growth in credit cards from increased spend and higher new business volumes in personal loans; and
- Total deposits growth of $21.0 billion or 7% (interest and non-interest bearing). Growth was driven by investment deposits (up 19%) reflecting greater demand for higher yielding term deposits, together with increases in transaction deposits (up 4% including non-interest bearing balances) and savings deposits (up 3%) primarily in existing customer balances and mortgage offset accounts.

Risk Weighted Assets

Risk weighted assets were $165.0 billion, an increase of $2.4 billion or 1% on the prior comparative period.

- Credit risk weighted assets increased $4.7 billion or 3%, primarily driven by home loan volume growth, partly offset by changes to home loan credit risk estimates following implementation of a revised model; partly offset by
- Operational risk weighted assets decreased $2.3 billion or 11%, primarily driven by the removal of the APRA add-on.

General Insurance

Cash net loss after tax was $39 million, an increase of $11 million on the prior comparative period. The result was mainly driven by lower premiums due to the sale of the General Insurance business on 30 September 2022.

Half Year Ended December 2022 versus June 2022

Cash net profit after tax increased $128 million or 5% on the prior half. The result was driven by a 19% increase in operating income, a 10% increase in operating expenses and a $650 million increase in loan impairment expense.

Net Interest Income

Net interest income increased $1,018 million or 21% on the prior half. This was driven by a 17% increase in net interest margin, a 3% increase in average interest earning assets, and the benefit from three additional calendar days in the current half.

Net interest margin increased by 39 basis points on the prior half, reflecting:

- Improved deposit margins, including earnings on replicated products, due to the rising interest rate environment; and
- Higher earnings on equity; partly offset by
- Lower home lending margins reflecting the impact of cash and swap rates on pricing and increased competition, partly offset by favourable home loan portfolio mix with a shift to higher margin loans (primarily fixed to variable);
- Lower consumer finance margins mainly reflecting the impact of cash rates on pricing and reduction in the proportion of credit card balances earning interest; and
- Higher wholesale funding costs.

Other Operating Income

Other operating income increased $16 million or 3% on the prior half, mainly reflecting increased volume driven foreign exchange, deposits and cards fee income.

Operating Expenses

Operating expenses increased $213 million or 10% on the prior half. This was due to inflation, the impact of two additional working days, seasonally lower annual leave usage, higher IT and investment spend, and increased customer remediation, partly offset by productivity initiatives including workforce and branch optimisation.

The number of FTE decreased by 423 on the prior half, from 16,947 to 16,524, driven by workforce optimisation and decreased loan application processing resources, partly offset by investment in lenders.

The operating expenses to total operating income ratio decreased by 300 basis points on the prior half, driven by higher operating income.

Divisional Performance (continued)

Retail Banking Services (continued)

Financial Performance and Business Review (continued)

Loan Impairment Expense

Loan impairment expense increased $650 million on the prior half. The result was driven by higher collective provisions reflecting ongoing inflationary pressures, rising interest rates and decline in house prices, and the non-recurrence of COVID-19 collective provision releases in the prior half.

Loan impairment expense as a percentage of average gross loans and acceptances increased by 28 basis points on the prior half.

Home loan 90+ days arrears decreased by 6 basis points from 0.51% to 0.45%, supported by the strong labour market.

Consumer finance 90+ days arrears decreased by 6 basis points from 0.70% to 0.64%, in line with seasonal trends and underpinned by low levels of unemployment.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of $13.4 billion or 3%, in line with system. Proprietary mix for CBA branded home loans decreased from 60% to 58% of new business flows;
- Consumer finance growth of $0.4 billion or 4%, driven by growth in credit cards from increased spend and higher new business volumes in personal loans; and
- Total deposit growth of $10.3 billion or 3% (interest and non-interest bearing). The increase was driven by investment deposits (up 16%) together with growth in savings deposits (up 1%), partly offset by a decline in transaction deposits (down 1% including non-interest bearing balances) reflecting greater demand for higher yielding products.

Risk Weighted Assets

Risk weighted assets decreased $1.6 billion or 1% on the prior half.

- Operational risk weighted assets decreased $2.0 billion or 10%, primarily driven by the removal of the APRA add-on; partly offset by
- Credit risk weighted assets increased $0.4 billion, primarily driven by home loan volume growth, partly offset by changes to home loan credit risk estimates following implementation of a revised model.

Retail Banking Services generated $2,602 million of organic capital [1] for the Group in the current half. This contributed 52 basis points to the Group's CET1 ratio.

General Insurance

Cash net loss after tax increased by $37 million on the prior half. The result was mainly driven by lower premiums due to the sale of the General Insurance business on 30 September 2022 and lower weather event related losses in the prior half due to reinsurance recoveries.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

Business Banking

Overview

Business Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions. We also provide Australia's leading equities trading and margin lending services through our CommSec business. Business Banking includes the financial results of business banking activities conducted under the Bankwest brand.

	Half Year Ended [1]				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
	$M	$M	$M	Jun 22 %	Dec 21 %
Net interest income	**3,832**	2,973	2,872	29	33
Other operating income	**587**	618	614	(5)	(4)
Total operating income	**4,419**	3,591	3,486	23	27
Operating expenses	**(1,340)**	(1,354)	(1,307)	(1)	3
Loan impairment expense	**(263)**	(83)	(32)	large	large
Net profit before tax	**2,816**	2,154	2,147	31	31
Corporate tax expense	**(844)**	(645)	(646)	31	31
Cash net profit after tax	**1,972**	1,509	1,501	31	31
Income analysis					
Net interest income					
Small Business Banking	**1,667**	1,285	1,242	30	34
Commercial Banking	**997**	766	743	30	34
Regional and Agribusiness	**514**	425	412	21	25
Major Client Group	**492**	403	384	22	28
CommSec	**162**	94	91	72	78
Total net interest income	**3,832**	2,973	2,872	29	33
Other operating income					
Small Business Banking	**195**	199	196	(2)	(1)
Commercial Banking	**126**	118	110	7	15
Regional and Agribusiness	**55**	51	47	8	17
Major Client Group	**87**	77	69	13	26
CommSec	**124**	173	192	(28)	(35)
Total other operating income	**587**	618	614	(5)	(4)
Total operating income	**4,419**	3,591	3,486	23	27
Income by product					
Business products	**2,831**	2,216	2,070	28	37
Retail products	**1,424**	1,161	1,182	23	20
Equities and margin lending	**164**	214	234	(23)	(30)
Total operating income	**4,419**	3,591	3,486	23	27

1 Comparative information has been restated to conform to presentation in the current period.

Divisional Performance (continued)

Business Banking (continued)

Balance Sheet	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	As at [1]				
Home loans [2]	**100,580**	100,003	98,402	1	2
Business loans [3]	**123,154**	117,115	108,766	5	13
Margin loans	**2,113**	2,261	2,363	(7)	(11)
Consumer finance	**1,878**	1,813	1,851	4	1
Total interest earning assets	**227,725**	221,192	211,382	3	8
Non-lending interest earning assets	**48**	62	111	(23)	(57)
Other assets	**1,043**	1,185	761	(12)	37
Total assets	**228,816**	222,439	212,254	3	8
Transaction deposits [3,4]	**36,301**	37,209	37,373	(2)	(3)
Savings deposits [4]	**74,582**	75,641	75,148	(1)	(1)
Investment deposits and other	**49,929**	36,471	34,619	37	44
Total interest bearing deposits	**160,812**	149,321	147,140	8	9
Non-interest bearing transaction deposits	**66,383**	72,403	68,114	(8)	(3)
Other non-interest bearing liabilities	**2,101**	1,611	1,174	30	79
Total liabilities	**229,296**	223,335	216,428	3	6

Key Financial Metrics	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	Half Year Ended [1]				
Performance indicators					
Net interest margin (%)	**3. 63**	2. 98	2. 95	65 bpts	68 bpts
Return on assets (%)	**1. 7**	1. 4	1. 4	30 bpts	30 bpts
Operating expenses to total operating income (%)	**30. 3**	37. 7	37. 5	(740)bpts	(720)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 23**	0. 08	0. 03	15 bpts	20 bpts
Other information					
Average interest earning assets ($M) [5]	**209,267**	201,306	192,816	4	9
Risk weighted assets ($M)	**149,523**	147,326	141,974	1	5
Troublesome and impaired assets ($M) [6]	**3,629**	3,439	3,513	6	3
Troublesome and impaired assets as a % of TCE (%) [6]	**2. 30**	2. 28	2. 46	2 bpts	(16)bpts
Number of full-time equivalent staff (FTE)	**5,582**	5,732	5,770	(3)	(3)

1 Comparative information has been restated to conform to presentation in the current period.

2 Home loans are presented gross of $14,218 million of mortgage offset balances (30 June 2022: $12,619 million; 31 December 2021: $13,845 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments.

3 Business loans include $331 million of Cash Management Pooling Facilities (CMPF) (30 June 2022: $266 million; 31 December 2021: $268 million). Transaction deposits include $954 million of CMPF liabilities (30 June 2022: $1,124 million; 31 December 2021: $811 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.

4 Transaction and Savings deposits include $14,218 million of mortgage offset balances (30 June 2022: $12,619 million; 31 December 2021: $13,845 million).

5 Average interest earning assets are presented net of mortgage offset balances, which reduce customer interest payments. Average interest earning assets are also used in the calculation of divisional net interest margin.

6 Commercial troublesome and impaired assets only.

Divisional Performance (continued)

Business Banking (continued)

Financial Performance and Business Review

Half Year Ended December 2022 versus December 2021

Business Banking cash net profit after tax for the half year ended 31 December 2022 was $1,972 million, an increase of $471 million or 31% on the prior comparative period. The result was driven by a 27% increase in total operating income, a 3% increase in operating expenses and a $231 million increase in loan impairment expense.

Net Interest Income

Net interest income was $3,832 million, an increase of $960 million or 33% on the prior comparative period. This was driven by a 68 basis points increase in net interest margin and a 9% increase in average interest earning assets.

Net interest margin increased 68 basis points on the prior comparative period, reflecting:

- Higher deposit margins including earnings on replicated products due to the rising interest rate environment;
- Higher earnings on equity; and
- Favourable portfolio mix driven by growth in business lending; partly offset by
- Lower home lending margins reflecting the impact of higher cash and swap rates and increased competition on pricing;
- Lower business lending margins, reflecting competitive pricing; and
- Lower consumer finance margins reflecting impacts from increases in the cash rate.

Other Operating Income

Other operating income was $587 million, a decrease of $27 million or 4% on the prior comparative period, reflecting:

- Lower equities income due to lower trading volumes; partly offset by
- Higher business lending fee income reflecting volume growth and increased switching to fee based products.

Operating Expenses

Operating expenses were $1,340 million, an increase of $33 million or 3% on the prior comparative period. This was primarily driven by inflation, higher IT spend, and further investment in Business Banking, partly offset by lower remediation costs and productivity initiatives.

The number of full-time equivalent staff (FTE) decreased by 188 or 3% on the prior comparative period, from 5,770 to 5,582 due to productivity initiatives, partly offset by investment in customer facing staff.

Investment spend was primarily focused on further enhancing the customer experience through reimagining products and services, system modernisation, digitisation and automation, as well as investment in regulatory, risk and compliance initiatives.

The operating expenses to total operating income ratio was 30.3%, a decrease of 720 basis points on the prior comparative period, driven by higher operating income.

Loan Impairment Expense

Loan impairment expense was $263 million, an increase of $231 million on the prior comparative period.

This was driven by an increase in collective provisions reflecting ongoing input cost pressures, supply chain disruptions and rising interest rates. Individual provisions also increased from a low level in the prior comparative period due to a small number of exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased 20 basis points to 0.23%.

Troublesome and impaired assets as a percentage of total committed exposure decreased 16 basis points to 2.30% driven by volume growth and active management of troublesome and impaired assets.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $14.4 billion or 13%, above system growth, reflecting diversified lending across a number of industries, with the largest growth in the Property, Agriculture and Hospitality sectors;
- Home loan growth of $2.2 billion or 2%, below system growth, reflecting growth in owner occupied and investor loans; and
- Total deposits growth (interest and non-interest bearing) of $11.9 billion or 6%. Growth was driven by higher Investment deposits (up 44%), partly offset by a decrease in Transaction deposits (down 3% including non-interest bearing balances) and Savings deposits (down 1%), reflecting greater demand for higher yielding investment products.

Risk Weighted Assets

Risk weighted assets were $149.5 billion, an increase of $7.5 billion or 5% on the prior comparative period.

- Credit risk weighted assets increased $9.7 billion or 8%, primarily driven by lending volume growth; partly offset by
- Operational risk weighted assets decreased $2.1 billion or 16% primarily driven by the removal of the APRA add-on.

Business Banking (continued)

Financial Performance and Business Review (continued)

Half Year Ended December 2022 versus June 2022

Cash net profit after tax increased $463 million or 31% on the prior half. The result was driven by a 23% increase in total operating income, a 1% decrease in operating expenses and a $180 million increase in loan impairment expense.

Net Interest Income

Net interest income increased $859 million or 29% on the prior half. This was driven by a 22% increase in net interest margin, a 4% increase in average interest earning assets, and the benefit from three additional calendar days in the current half.

Net interest margin increased 65 basis points, reflecting:

- Higher deposit margins including earnings on replicated products, due to the rising interest rate environment, partly offset by unfavourable mix as customers switch to higher yielding term deposits; and
- Higher earnings on equity; partly offset by
- Lower home lending margins reflecting the impact of higher cash and swap rates and increased competition on pricing;
- Lower business lending margins reflecting competitive pricing; and
- Lower consumer finance margins reflecting impacts from increases in the cash rate.

Other Operating Income

Other operating income decreased $31 million or 5% on the prior half, driven by:

- Lower equities income due to lower trading volumes; partly offset by
- Higher business lending fee income reflecting volume growth and increased switching to fee based products.

Operating Expenses

Operating expenses decreased $14 million or 1% on the prior half. This was primarily driven by lower remediation costs and productivity initiatives, partly offset by inflation, higher IT and investment spend, and the impact of two additional working days.

The number of FTE decreased by 150 or 3% on the prior half, from 5,732 to 5,582 due to productivity initiatives, partly offset by investment in customer facing staff.

The operating expenses to total operating income ratio decreased 740 basis points on the prior half, driven by higher operating income.

Loan Impairment Expense

Loan impairment expense increased $180 million on the prior half.

This was driven by an increase in collective provisions reflecting ongoing input cost pressures, supply chain disruptions and rising interest rates. Individual provisions also increased from a low level in the prior half due to a small number of exposures.

Loan impairment expense as a percentage of average gross loans and acceptances increased 15 basis points to 0.23%.

Troublesome and impaired assets as a percentage of total committed exposure remained broadly consistent with the prior half.

Balance Sheet

Key spot balance sheet movements included:

- Business loan growth of $6.0 billion or 5%, in line with system growth, reflecting diversified lending across a number of industries, with the largest growth in the Property, Hospitality and Retail sectors;
- Home loan growth of $0.6 billion or 1%, below system growth, reflecting growth in owner occupied and investor loans; and
- Total deposits growth (interest and non-interest bearing) of $5.5 billion or 2%. Growth was driven by Investment deposits (up 37%), partly offset by a decrease in Transaction deposits (down 6% including non-interest bearing balances) and Savings deposits (down 1%), reflecting customer preference for higher yielding investment products.

Risk Weighted Assets

Risk weighted assets increased $2.2 billion or 1% on the prior half.

- Credit risk weighted assets increased $4.1 billion or 3% primarily driven by lending volume growth; partly offset by
- Operational risk weighted assets decreased $1.9 billion or 15% primarily driven by the removal of the APRA add-on.

Business Banking generated $1,485 million of organic capital[1] for the Group in the current half. This contributed 29 basis points to the Group's CET1 ratio.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding impact of FX movements on Credit RWAs as they are capital neutral with offsetting impact in Foreign Currency Translation Reserves) used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

Institutional Banking and Markets

Overview

Institutional Banking & Markets (IB&M) provides a full range of domestic and global financing and banking services to large corporate, institutional and government clients. These services include debt capital markets, risk management, transaction banking, sustainable finance, structured capital solutions and working capital delivered through dedicated product and industry specialists, as well as tailored research and data analytics to help our clients.

	Half Year Ended [1]				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net interest income	**710**	753	794	(6)	(11)
Other operating income	**406**	399	358	2	13
Total operating income	**1,116**	1,152	1,152	(3)	(3)
Operating expenses	**(529)**	(495)	(491)	7	8
Loan impairment benefit/(expense)	**39**	(14)	125	(large)	69
Net profit before tax	**626**	643	786	(3)	(20)
Corporate tax expense	**(173)**	(176)	(195)	(2)	(11)
Cash net profit after tax	**453**	467	591	(3)	(23)
Income analysis					
Net interest income					
Institutional Banking	**673**	644	665	5	1
Markets	**37**	109	129	(66)	(71)
Total net interest income	**710**	753	794	(6)	(11)
Other operating income					
Institutional Banking	**188**	191	174	(2)	8
Markets	**218**	208	184	5	18
Total other operating income	**406**	399	358	2	13
Total operating income	**1,116**	1,152	1,152	(3)	(3)
Income by product					
Institutional products	**780**	745	761	5	2
Asset leasing	**81**	90	78	(10)	4
Markets (excluding derivative valuation adjustments)	**283**	293	319	(3)	(11)
Total operating income excluding derivative valuation adjustments	**1,144**	1,128	1,158	1	(1)
Derivative valuation adjustments [2]	**(28)**	24	(6)	(large)	(large)
Total operating income	**1,116**	1,152	1,152	(3)	(3)

1 Comparative information has been restated to conform to presentation in the current period.
2 Derivative valuation adjustments include both net interest income and other operating income adjustments.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

	As at [1]				
	31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs	Dec 22 vs
Balance Sheet	**$M**	$M	$M	Jun 22 %	Dec 21 %
Interest earning lending assets [2]	**97,686**	95,451	84,846	2	15
Non-lending interest earning assets	**62,051**	63,029	52,000	(2)	19
Other assets [3]	**28,008**	33,382	26,129	(16)	7
Total assets	**187,745**	191,862	162,975	(2)	15
Transaction deposits [2]	**93,145**	91,396	83,352	2	12
Savings deposits	**8,109**	16,126	11,516	(50)	(30)
Investment deposits	**50,992**	42,883	33,539	19	52
Certificates of deposit and other	**29,909**	30,116	17,916	(1)	67
Total interest bearing deposits	**182,155**	180,521	146,323	1	24
Due to other financial institutions	**15,016**	17,004	16,542	(12)	(9)
Debt issues and other [4]	**6,646**	6,782	4,160	(2)	60
Non-interest bearing liabilities [3]	**26,207**	29,774	16,226	(12)	62
Total liabilities	**230,024**	234,081	183,251	(2)	26

	Half Year Ended [1]				
				Dec 22 vs	Dec 22 vs
Key Financial Metrics	**31 Dec 22**	30 Jun 22	31 Dec 21	Jun 22 %	Dec 21 %
Performance indicators					
Net interest margin (%)	**0. 86**	1. 05	1. 20	(19)bpts	(34)bpts
Return on assets (%)	**0. 5**	0. 5	0. 7	–	(20)bpts
Operating expenses to total operating income (%)	**47. 4**	43. 0	42. 6	440 bpts	480 bpts
Impairment expense annualised as a % of average GLAAs (%)	**(0. 08)**	0. 03	(0. 28)	(11)bpts	20 bpts
Other information					
Average interest earning assets ($M)	**163,148**	144,792	131,008	13	25
Risk weighted assets ($M)	**84,693**	80,001	82,119	6	3
Troublesome and impaired assets ($M)	**187**	513	640	(64)	(71)
Total committed exposures rated investment grade (%)	**91. 4**	89. 4	88. 6	200 bpts	280 bpts
Number of full-time equivalent staff (FTE)	**1,502**	1,439	1,453	4	3

1 Comparative information has been restated to conform to presentation in the current period.

2 Interest earning lending assets include $18,324 million of Cash Management Pooling Facilities (CMPF) (30 June 2022: $20,156 million; 31 December 2021: $13,854 million). Transaction deposits include $38,033 million of CMPF liabilities (30 June 2022: $37,718 million; 31 December 2021: $34,890 million). These balances are required to be grossed up under accounting standards, but are netted down for the calculation of customer interest payments and risk weighted assets.

3 Other assets include intangible assets and derivative assets. Non-interest bearing liabilities include derivative liabilities.

4 Debt issues and other includes liabilities at fair value.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Financial Performance and Business Review

Half Year Ended December 2022 versus December 2021

Institutional Banking and Markets cash net profit after tax for the half year ended 31 December 2022 was $453 million, a decrease of $138 million or 23% on the prior comparative period. The result was driven by a 3% decrease in total operating income (1% decrease excluding derivative valuation adjustments), an 8% increase in operating expenses and an $86 million increase in loan impairment expense.

Net Interest Income

Net interest income was $710 million, an $84 million or 11% decrease on the prior comparative period. The result was driven by a 34 basis point decrease in net interest margin, partly offset by a 25% increase in average interest earning assets.

Net interest margin decreased 34 basis points, reflecting:

- Higher funding costs in the Fixed Income and Commodities portfolios driven by increasing global yields (partly offset by trading gains in other operating income);
- Unfavourable portfolio mix from an increase in lower margin pooled facilities and reverse sale and repurchase agreements in Global Markets;
- Lower institutional and structured lending margins due to higher funding costs; and
- Lower Structured Asset Finance revenue driven by the non-recurrence of gains on the residual value of shipping vessels under finance leases; partly offset by
- Higher earnings on equity due to the rising interest rate environment.

Other Operating Income

Other operating income was $406 million, an increase of $48 million or 13% on the prior comparative period, reflecting:

- Higher Global Markets earnings from trading income in Fixed Income as well as stronger sales revenue mainly from Foreign Exchange; and
- Higher Structured Asset Finance revenue including increased aircraft operating lease rental income and gains from asset sales; partly offset by
- Unfavourable derivative valuation adjustments; and
- Lower loan syndication fees from a reduction in activity levels.

Operating Expenses

Operating expenses were $529 million, an increase of $38 million or 8% on the prior comparative period. This was driven by higher IT costs, increased staff costs mainly from inflation, increased volume driven operations costs and unfavourable FX, partly offset by lower investment spend.

The number of full-time equivalent staff (FTE) increased by 49 or 3% on the prior comparative period, from 1,453 to 1,502 FTE, primarily driven by higher operational resources.

Investment spend focused on continuing to strengthen the operational risk, compliance and regulatory framework and strategic initiatives.

The operating expenses to total operating income ratio was 47.4%, an increase of 480 basis points on the prior comparative period, driven by lower operating income and higher operating expenses.

Loan Impairment Expense

Loan impairment expense increased $86 million on the prior comparative period to a benefit of $39 million. This was primarily driven by higher collective provision releases in the prior comparative period related to the aviation sector.

Loan impairment expense as a percentage of average gross loans and acceptances increased 20 basis points on the prior comparative period to -0.08%.

Asset quality of the portfolio has improved, with the percentage of the book rated as investment grade increasing 280 basis points to 91.4% driven by increased exposure and new origination from higher quality clients.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance increase of $12.8 billion or 15%, primarily driven by an increase in pooled facilities and growth in corporate lending, warehouse facilities and the carbon and commodities financing portfolios;
- Non-lending interest earning assets increase of $10.1 billion or 19%, driven by an increase in reverse sale and repurchase agreements in Global Markets reflecting increased client demand;
- Other assets and non-interest bearing liabilities increase of $1.9 billion or 7% and $10.0 billion or 62% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate volatility. Derivative assets and derivative liabilities are required to be grossed up under accounting standards. Other assets growth was partly offset by a reduction in commodities inventory; and
- Total interest bearing deposits increase of $35.8 billion mainly driven by higher Investment and Transaction deposits (including pooled facilities), and an increase in sale and repurchase agreements in Global Markets to fund higher non-lending interest earning assets.

Divisional Performance (continued)

Institutional Banking and Markets (continued)

Financial Performance and Business Review (continued)

Risk Weighted Assets

Risk weighted assets were $84.7 billion, an increase of $2.6 billion or 3% on the prior comparative period.

- Traded market risk weighted assets increased $3.0 billion or 31%, mainly driven by increased client activity; and
- Credit risk weighted assets increased $0.2 billion or 0% primarily driven by lending volume growth, partly offset by improved credit quality; partly offset by
- Operational risk weighted assets decreased $0.6 billion or 10% primarily driven by the removal of the APRA add-on.

Half Year Ended December 2022 versus June 2022

Cash net profit after tax decreased $14 million or 3% on the prior half. The result was driven by a 3% decrease in total operating income (1% increase excluding derivative valuation adjustments), a 7% increase in operating expenses, and a $53 million decrease in loan impairment expense.

Net Interest Income

Net interest income decreased $43 million or 6% on the prior half. The result was driven by an 18% decrease in net interest margin, partly offset by a 13% increase in average interest earning assets and the benefit of three additional calendar days in the current half.

Net interest margin decreased 19 basis points, reflecting:

- Higher funding costs in the Fixed Income and Commodities portfolios driven by increasing global yields (partly offset by trading gains in other operating income);
- Unfavourable assets mix from an increase in lower margin pooled facilities and reverse sale and repurchase agreements in Global Markets; and
- Lower institutional and structured lending margin due to higher funding costs; partly offset by
- Higher earnings on deposit and equity reflecting the rising rate environment.

Other Operating Income

Other operating income increased $7 million or 2% on the prior half, reflecting:

- Higher Global Markets earnings primarily from trading gains in the Fixed Income and Commodities and Carbon portfolios; partly offset by
- Unfavourable derivative valuation adjustments.

Operating Expenses

Operating expenses increased $34 million or 7% on the prior half. This was driven by higher staff costs mainly from inflation and the impact from 2 additional working days in the current half, increased IT costs, higher volume driven operations costs and unfavourable FX.

The number of FTE increased by 63 or 4% on the prior half, from 1,439 to 1,502 FTE, primarily driven by higher operational and frontline resources.

The operating expenses to total operating income ratio increased by 440 basis points from 43.0% in the prior half, driven by higher operating expenses and lower total operating income.

Loan Impairment Expense

Loan impairment expense decreased $53 million on the prior half. This was driven by lower individually assessed provisions charges and lower collective provisions reflecting improvement in portfolio credit quality.

Loan impairment expense as a percentage of average gross loans and acceptances decreased 11 basis points on the prior half to -0.08%.

Asset quality of the portfolio has improved, with the percentage of the book rated as investment grade increasing 200 basis points to 91.4% driven by increased exposure and new origination from higher quality clients.

Balance Sheet

Key spot balance sheet movements included:

- Lending balance increase of $2.2 billion or 2%, primarily driven by growth in the corporate lending, real estate and commodities financing portfolios, partly offset by a decrease in pooled facilities;
- Other assets and non-interest bearing liabilities decrease of $5.4 billion or 16% and $3.6 billion or 12% respectively, mainly driven by the revaluation of derivative assets and derivative liabilities due to foreign currency and interest rate volatility; and
- Total interest bearing deposits increase of $1.6 billion or 1% mainly driven by growth in Investment and Transaction deposits, partly offset by lower Savings deposits.

Risk Weighted Assets

Risk weighted assets were $84.7 billion, an increase of $4.7 billion or 6% on the prior half.

- Traded market risk weighted assets increased $3.1 billion or 33%, mainly driven by increased client activity; and
- Credit risk weighted assets increased $2.6 billion or 4%, primarily driven by lending volume growth; partly offset by
- Operational risk weighted assets decreased $1.0 billion or 15% primarily driven by the removal of the APRA add-on.

Institutional Banking and Markets consumed $170 million of organic capital [1] for the Group in the current half. This impacted the Group's CET1 ratio by 3 basis points.

1 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding impact of FX movements on Credit RWAs as they are capital neutral with offsetting impact in Foreign Currency Translation Reserves) used to generate those profits. Amounts quoted exclude the payment of dividends and the allocation of Operational RWA from the Enforceable Undertaking with APRA.

Divisional Performance (continued)

New Zealand

Overview

New Zealand primarily includes the banking and funds management businesses operating under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to its personal, business, rural and corporate customers in New Zealand.

ASB serves the financial needs of its customers across multiple channels including an extensive network of branches, ATMs, contact centres, digital platforms and relationship managers.

	Half Year Ended [1]				
New Zealand (A$M)	**31 Dec 22 A$M**	30 Jun 22 A$M	31 Dec 21 A$M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net interest income	**1,364**	1,160	1,174	18	16
Other operating income [2]	**231**	239	258	(3)	(10)
Total operating income	**1,595**	1,399	1,432	14	11
Operating expenses	**(555)**	(541)	(501)	3	11
Loan impairment (expense)/benefit	**(45)**	(49)	12	(8)	large
Net profit before tax	**995**	809	943	23	6
Corporate tax expense	**(277)**	(223)	(264)	24	5
Cash net profit after tax	**718**	586	679	23	6

1 Comparative information has been restated to conform to presentation in the current period.
2 Other operating income disclosed in AUD includes realised gains or losses associated with the hedging of New Zealand operations earnings.

Divisional Performance (continued)

New Zealand (continued)

New Zealand (NZ$M)	Half Year Ended [1] 31 Dec 22 NZ$M	30 Jun 22 NZ$M	31 Dec 21 NZ$M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net interest income	**1,492**	1,272	1,227	17	22
Other operating income	**263**	253	272	4	(3)
Total operating income	**1,755**	1,525	1,499	15	17
Operating expenses	**(611)**	(588)	(524)	4	17
Loan impairment (expense)/benefit	**(49)**	(54)	13	(9)	large
Net profit before tax	**1,095**	883	988	24	11
Corporate tax expense	**(307)**	(241)	(277)	27	11
Cash net profit after tax	**788**	642	711	23	11
Represented by:					
ASB	**822**	676	742	22	11
Other [2]	**(34)**	(34)	(31)	–	10
Cash net profit after tax	**788**	642	711	23	11

Key Financial Metrics [3]	Half Year Ended [1] 31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Performance indicator					
Operating expenses to total operating income (%)	**34. 8**	38. 6	35. 0	(380)bpts	(20)bpts

1 Comparative information has been restated to conform to presentation in the current period.
2 Other includes ASB funding entities and elimination entries between New Zealand segment entities.
3 Key financial metrics are calculated in New Zealand dollar terms.

Financial Performance and Business Review

Half Year Ended December 2022 versus December 2021

New Zealand cash net profit after tax [1] for the half year ended 31 December 2022 was NZD788 million, an increase of NZD77 million or 11% on the prior comparative period. The result was driven by a 17% increase in total operating income, a 17% increase in operating expenses and a NZD62 million increase in loan impairment expense.

Half Year Ended December 2022 versus June 2022

New Zealand cash net profit after tax[1] increased NZD146 million or 23% on the prior half. The result was driven by a 15% increase in total operating income, a 4% increase in operating expenses and a 9% decrease in loan impairment expense.

New Zealand generated AUD385 million of organic capital [2] for the Group in the current half. This contributed 7 basis points to the Group's CET1 ratio.

1 The New Zealand result incorporates ASB and allocated CBA capital charges and costs. The CBA Branch results relating to the Institutional Banking and Markets business in New Zealand are not included.
2 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding impact of FX movements on Credit RWAs as they are capital neutral with offsetting impact in Foreign Currency Translation Reserves) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

New Zealand (continued)

ASB (NZ$M)	31 Dec 22 NZ$M	30 Jun 22 NZ$M	31 Dec 21 NZ$M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	Half Year Ended [1]				
Net interest income	**1,539**	1,319	1,270	17	21
Other operating income	**263**	253	272	4	(3)
Total operating income	**1,802**	1,572	1,542	15	17
Operating expenses	**(611)**	(588)	(524)	4	17
Loan impairment (expense)/benefit	**(49)**	(54)	13	(9)	large
Net profit before tax	**1,142**	930	1,031	23	11
Corporate tax expense	**(320)**	(254)	(289)	26	11
Cash net profit after tax	**822**	676	742	22	11

ASB Balance Sheet (NZ$M)	31 Dec 22 NZ$M	30 Jun 22 NZ$M	31 Dec 21 NZ$M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
	As at				
Home loans	**73,438**	72,055	69,875	2	5
Business lending	**21,068**	20,538	19,863	3	6
Rural lending	**10,976**	11,045	11,236	(1)	(2)
Other interest earning assets	**1,678**	1,611	1,671	4	–
Total lending interest earning assets	**107,160**	105,249	102,645	2	4
Non-lending interest earning assets	**15,922**	14,299	12,833	11	24
Other assets	**1,327**	1,904	1,361	(30)	(2)
Total assets	**124,409**	121,452	116,839	2	6
Interest bearing customer deposits	**65,062**	62,664	62,502	4	4
Debt issues	**20,216**	22,607	22,498	(11)	(10)
Other deposits [2]	**9,227**	6,950	4,676	33	97
Other interest bearing liabilities	**3,188**	2,502	1,190	27	large
Total interest bearing liabilities	**97,693**	94,723	90,866	3	8
Non-interest bearing customer deposits	**12,083**	13,175	13,906	(8)	(13)
Other non-interest bearing liabilities	**2,531**	1,955	987	29	large
Total liabilities	**112,307**	109,853	105,759	2	6

1 Comparative information has been restated to conform to presentation in the current period.
2 Other deposits include certificates of deposit, repurchase agreements and funding from RBNZ Funding for Lending Programme and Term Lending Facility.

Divisional Performance (continued)

New Zealand (continued)

ASB Key Financial Metrics [2]	Half Year Ended [1] 31 Dec 22	30 Jun 22	31 Dec 21	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Performance indicators					
Net interest margin (%)	**2. 52**	2. 26	2. 19	26 bpts	33 bpts
Return on assets (%)	**1. 3**	1. 1	1. 3	20 bpts	–
Operating expenses to total operating income (%)	**33. 9**	37. 4	34. 0	(350)bpts	(10)bpts
Impairment expense annualised as a % of average GLAAs (%)	**0. 09**	0. 10	(0. 03)	(1)bpt	12 bpts
Other information					
Average interest earning assets (NZ$M)	**121,350**	117,692	115,124	3	5
Risk weighted assets (NZ$M) [3]	**69,491**	68,301	61,465	2	13
Risk weighted assets (A$M) [4]	**58,305**	54,054	59,975	8	(3)
AUM - average (NZ$M) [5]	**20,353**	21,183	22,209	(4)	(8)
AUM - spot (NZ$M) [5]	**20,212**	19,980	22,328	1	(9)
90+ days home loan arrears (%)	**0. 22**	0. 21	0. 19	1 bpt	3 bpts
90+ days consumer finance arrears (%)	**0. 51**	0. 53	0. 58	(2)bpts	(7)bpts
Number of full-time equivalent staff (FTE)	**5,898**	5,879	5,817	–	1

1 Comparative information has been restated to conform to presentation in the current period.
2 Key financial metrics are calculated in New Zealand dollar terms unless otherwise stated.
3 Risk weighted assets calculated in accordance with RBNZ requirements.
4 Risk weighted assets (A$M) calculated in accordance with APRA requirements.
5 On 11 February 2022, ASB sold the management rights of the ASB Superannuation Master Trust (SMT) to Smartshares Limited. The sale includes a transition period where ASB continues to provide investment management and administration services until the transition is complete. The AUM balances related to SMT remain included in the ASB AUM balance at 31 December 2022.

Divisional Performance (continued)

New Zealand (continued)

Financial Performance and Business Review

Half Year Ended December 2022 versus December 2021

ASB cash net profit after tax for the half year ended 31 December 2022 was NZD822 million, an increase of NZD80 million or 11% on the prior comparative period. The result was driven by a 17% increase in total operating income, a 17% increase in operating expenses and a NZD62 million increase in loan impairment expense.

Net Interest Income

Net interest income was NZD1,539 million, an increase of NZD269 million or 21% on the prior comparative period. The increase was driven by a 5% growth in average interest earning assets and a 33 basis points increase in net interest margin.

Net interest margin increased 33 basis points, reflecting:

- Higher deposit margins including earnings on replicated products, mainly due to the rising interest rate environment; partly offset by unfavourable mix as customers switch to higher yielding investment deposits; and
- Higher earnings on equity; partly offset by
- Unfavourable lending margins mainly from the impact of swap rates and competition on home loan pricing, and unfavourable lending mix; and
- Higher wholesale funding costs.

Other Operating Income

Other operating income was NZD263 million, a decrease of NZD9 million or 3% on the prior comparative period, reflecting:

- Reduced Funds Management Income mainly reflecting unfavourable market performance and the removal of KiwiSaver administration fees from October 2021; and
- Lower gains from the sale of government securities; partly offset by
- Higher volume driven cards and merchant income.

Operating Expenses

Operating expenses were NZD611 million, an increase of NZD87 million or 17% on the prior comparative period. Excluding the impact of the provision released in the prior comparative period relating to historical holiday pay, expenses increased 5% primarily driven by higher staff costs from wage inflation and increased full-time equivalent staff (FTE), and higher IT expenses.

Spot FTE increased by 81 or 1% on the prior comparative period from 5,817 to 5,898 FTE to support investment in technology, risk and strategic priorities.

Investment spend continues to focus on regulatory compliance, customer experience initiatives and enhancing technology platforms.

The operating expenses to total operating income ratio for ASB was 33.9%, a decrease of 10 basis points on the prior comparative period driven by higher operating income. Excluding the impact of the provision released in the prior comparative period relating to historical holiday pay, the ratio decreased by 370 basis points.

Loan Impairment Expense

Loan impairment expense was NZD49 million, an increase of NZD62 million on the prior comparative period. This was mainly driven by higher collective provisions reflecting emerging risks including rising interest rates, labour constraints and inflationary pressures offset by lower individually assessed provision charges.

Home loan 90+ days arrears increased 3 basis points to 0.22% due to the impact of inflationary and interest rate pressures. Consumer finance 90+ days arrears decreased 7 basis points to 0.51%, supported by a strong labour market and improvement in portfolio quality.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD3.6 billion or 5%, above system growth of 4% with continued customer preference for fixed rate loans in a competitive market;
- Business loan growth of NZD1.2 billion or 6%, below system growth of 7% driven by an increase in commercial lending partly offset by a decline in small business lending;
- Rural loan decline of NZD0.3 billion or 2%;
- Total customer deposit growth of NZD0.7 billion or 1% (interest bearing and non-interest bearing), below system growth of 3%[1], with customer preference for higher yielding investment deposits; and
- Other deposits growth of NZD4.6 billion or 97% predominantly driven by drawdowns of RBNZ Funding for Lending facility.

Risk Weighted Assets [2]

Risk weighted assets were NZD69.5 billion, an increase of NZD8.0 billion or 13% on the prior comparative period.

- Credit risk weighted assets increased NZD7.8 billion or 15% predominately driven by the implementation of the new RBNZ capital requirements, partly offset by modelling changes in credit cards; and
- Operational risk weighted assets increased NZD0.4 billion or 5% predominately due to increased volumes; partly offset by
- Market risk weighted assets decreased NZD0.2 billion or 7% primarily due to reduction in interest rate risk positions.

1 RBNZ system data includes institutional deposits which are excluded from the ASB Management Balance Sheet.
2 Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.

New Zealand (continued)

Financial Performance and Business Review (continued)

Half Year Ended December 2022 versus June 2022

ASB cash net profit after tax increased NZD146 million or 22% on the prior half. The result was driven by a 15% increase in total operating income, a 4% increase in operating expenses and a 9% decrease in loan impairment expense.

Net Interest Income

Net interest income increased NZD220 million or 17% on the prior half. This result was driven by a 3% growth in average interest earning assets, a 12% increase in net interest margin and the benefit from three additional calendar days in the current half.

Net interest margin increased 26 basis points, reflecting:

- Higher deposit margins including earnings on replicated products, mainly due to the rising interest rate environment, partly offset by unfavourable mix as customers switch to higher yielding investment deposits;
- Higher earnings on equity; and
- Higher income from Treasury related activities; partly offset by
- Unfavourable lending margins mainly from the impact of swap rates and competition on home loan pricing, and unfavourable lending mix; and
- Higher wholesale funding costs.

Other Operating Income

Other operating income increased NZD10 million or 4% on the prior half, reflecting:

- Higher Markets and Treasury earnings;
- Higher volume driven cards income;
- Higher gains from the sale of government securities; and
- Higher insurance commission income; partly offset by
- Non-recurrence of the gain on sale of the management rights of the ASB Superannuation Master Trust.

Operating Expenses

Operating expenses increased NZD23 million or 4% on the prior half. The increase was primarily driven by higher staff costs due to wage inflation and two additional working days in the current half, and higher IT expenses.

The operating expenses to total operating income ratio decreased 350 basis points on the prior half driven by growth in total operating income.

Loan Impairment Expense

Loan impairment expense decreased NZD5 million or 9% on the prior half. This was primarily driven by lower individually assessed provisions.

Home loan 90+ days arrears increased 1 basis point to 0.22%. Consumer finance 90+ days arrears decreased 2 basis points to 0.51%.

Balance Sheet

Key spot balance sheet movements included:

- Home loan growth of NZD1.4 billion or 2%, in line with system growth, with continued customer preference for fixed rate loans in a competitive market;
- Business loan growth of NZD0.5 billion or 3%, in line with system growth;
- Rural loan decline of NZD0.1 billion or 1%;
- Total customer deposit growth of NZD1.3 billion or 2% (interest bearing and non-interest bearing), below system growth of 4%[1], with customer preference for higher yielding investment deposits; and
- Other deposits growth of NZD2.3 billion or 33% predominantly driven by drawdowns of RBNZ Funding for Lending facility.

Risk Weighted Assets [2]

Risk weighted assets were NZD69.5 billion, an increase of NZD1.2 billion or 2% on the prior half.

- Credit risk weighted assets increased NZD0.7 billion or 1% predominately driven by increase in lending volumes;
- Market risk weighted assets increased NZD0.3 billion or 12% primarily due to an increase in interest rate risk driven by the prescribed RBNZ modelling approach to Market Risk; and
- Operational risk weighted assets increased NZD0.2 billion or 3% predominately due to increased volumes.

ASB generated AUD421 million of organic capital [3] for the Group in the current half. This contributed 8 basis points to the Group's CET1 ratio.

1 RBNZ system data includes institutional deposits which are excluded from the ASB Management Balance Sheet.
2 Risk weighted assets reflect the New Zealand dollar amount calculated in accordance with RBNZ requirements.
3 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding impact of FX movements on Credit RWAs as they are capital neutral with offsetting impact in Foreign Currency Translation Reserves) used to generate those profits. Amounts quoted exclude the payment of dividends.

Divisional Performance (continued)

Corporate Centre and Other

Overview

Corporate Centre and Other includes the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.

Centrally held minority investments and subsidiaries include the Group's offshore minority investments in China (Bank of Hangzhou and Qilu Bank), Vietnam (Vietnam International Bank), as well as its Indonesian banking subsidiary (PT Bank Commonwealth). They also include domestically held minority investments in Lendi Group and CFS as well as the strategic investments in x15ventures.

Treasury is primarily focused on the management of the Bank's interest rate risk, funding and liquidity requirements, and management of the Bank's capital.

The Treasury function includes:

- Portfolio Management: manages the interest rate risk of the Bank's non-traded Balance Sheet using transfer pricing to consolidate risk into Treasury, and hedging the residual mismatch between assets and liabilities using swaps, futures and options;
- Group Funding and Liquidity: manages the Bank's long-term and short-term wholesale funding requirements, and the Bank's prudent liquidity requirements; and
- Capital and Regulatory Strategy: manages the Bank's capital requirements.

	Half Year Ended [1]				
Corporate Centre and Other (continuing operations, including eliminations)	**31 Dec 22 $M**	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net interest income	**(44)**	82	62	(large)	(large)
Other operating income	**117**	419	427	(72)	(73)
Operating income excluding one-off item	**73**	501	489	(85)	(85)
Gain on sale of HZB shares [2]	**–**	516	–	n/a	–
Operating income including one-off item	**73**	1,017	489	(93)	(85)
Operating expenses excluding one-off item	**(1,029)**	(1,038)	(935)	(1)	10
Accelerated software amortisation [2]	**–**	(389)	–	n/a	–
Total operating expenses including one-off item	**(1,029)**	(1,427)	(935)	(28)	10
Loan impairment (expense)/benefit	**(5)**	15	(23)	large	(78)
Net loss before tax	**(961)**	(395)	(469)	large	large
Corporate tax benefit	**280**	82	131	large	large
Cash net loss after tax	**(681)**	(313)	(338)	large	large

1 Comparative information has been restated to conform to presentation in the current period.
2 Refer to page 11 for further information.

Divisional Performance (continued)

Corporate Centre and Other (continued)

Financial Performance and Business Review

Half Year Ended December 2022 versus December 2021

Corporate Centre and Other cash net loss after tax for the half year ended 31 December 2022 was $681 million, an increase of $343 million on the prior comparative period. The result was primarily driven by an 85% decrease in total operating income, a 10% increase in operating expenses and a 78% decrease in loan impairment expense.

Net Interest Income

Net interest income reduced $106 million on the prior comparative period to an expense of $44 million. This was primarily driven by higher funding costs for corporate assets and lower Treasury earnings due to impact of rising rates.

Other Operating Income

Other operating income was $117 million, a decrease of $310 million on the prior comparative period. This was primarily driven by lower net profits from minority investments, including the cessation of equity accounting following the partial sale of HZB and equity accounted losses from CFS, mainly reflecting challenging investment market conditions and increased investment spend.

Operating Expenses

Operating expenses were $1,029 million, an increase of $94 million or 10% on the prior comparative period. This was primarily driven by higher remediation costs, wage inflation and increased resourcing to deliver centrally held technology and strategic related investments.

Loan Impairment Expense

Loan impairment expense was $5 million, a decrease of $18 million on the prior comparative period. This was primarily due to a release of COVID-19 related collective provisions in PTBC in the current half.

Risk Weighted Assets

Risk weighted assets were $46.9 billion, an increase of $21.6 billion or 85% on the prior comparative period.

- IRRBB risk weighted assets increased $23.4 billion primarily due to APRA's required IRRBB capital increase to reflect the impact of interest rate volatility on the Group's equity hedge; partly offset by
- Credit risk weighted assets decreased $1.2 billion or 18% driven by improved credit quality in Treasury assets; and
- Operational risk weighted assets decreased $0.6 billion or 22% primarily driven by the removal of the APRA add-on.

Half Year Ended December 2022 versus June 2022 [1]

Cash net loss after tax increased $368 million on the prior half. The result was primarily driven by an 85% decrease in operating income, a 1% decrease in operating expenses and a $20 million increase in loan impairment expense.

Net Interest Income

Net interest income reduced $126 million on the prior half. This was primarily driven by higher funding costs for corporate assets and lower Treasury earnings due to impact of rising rates.

Other Operating Income

Other operating income decreased $302 million on the prior half. This was primarily driven by lower net profits from minority investments, including the cessation of equity accounting following the partial sale of HZB and equity accounted losses from CFS, mainly reflecting challenging investment market conditions and increased investment spend, and lower gains from sale of Treasury liquid assets.

Operating Expenses

Operating expenses reduced $9 million or 1% on the prior half. This was primarily driven by lower occupancy costs from property footprint consolidation and reduced COVID-19 cleaning costs, and seasonality in technology related vendor spend, partly offset by wage inflation.

Loan Impairment Expense

Loan impairment expense increased $20 million on the prior half. This was primarily due to higher individually assessed provision charges and write-offs in PTBC, partly offset by a release of historical COVID-19 related collective provisions in the current half.

Risk Weighted Assets

Risk weighted assets decreased $3.1 billion or 6% on the prior half.

- IRRBB risk weighted assets decreased $1.4 billion or 3%, primarily due to interest rate volatility impacting risk management positions;
- Credit risk weighted assets decreased $1.1 billion or 15% driven by improved credit quality in Treasury assets; and
- Operational risk weighted assets decreased $0.7 billion or 24% primarily driven by the removal of the APRA add-on.

Corporate Centre consumed $3,966 million of organic capital [2] for the Group in the current half, largely due to the payment of the 2022 final dividend. This impacted the Group's CET1 ratio by 79 basis points.

1 In order to provide an underlying view of performance, the commentary below has been presented excluding the impact of the one-off operating income and expense items.

2 Organic capital generation represents cash net profit after tax less the capital equivalent of the change in regulatory risk weighted assets (excluding impact of FX movements on Credit RWAs as they are capital neutral with offsetting impact in Foreign Currency Translation Reserves) used to generate those profits. Amounts quoted exclude the allocation of Operational RWA from the Enforceable Undertaking with APRA.

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Financial Statements

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Directors' Report

The Directors of the Commonwealth Bank of Australia present their report, together with the financial statements of the Commonwealth Bank of Australia and its controlled entities (collectively referred to as 'the Group') for the half year ended 31 December 2022.

Directors

The names of the Directors holding office at any time during or since the end of the half year were:

Paul O'Malley	Chairman (appointed as Chairman 10 August 2022)
Catherine Livingstone AO	Chairman (retired 10 August 2022)
Matt Comyn	Managing Director and Chief Executive Officer
Shirish Apte	Director (retired 12 October 2022)
Genevieve Bell AO	Director
Lyn Cobley	Director (appointed 1 October 2022)
Julie Galbo	Director
Peter Harmer	Director
Simon Moutter	Director
Mary Padbury	Director
Anne Templeman-Jones	Director
Rob Whitfield AM	Director

Review and Results of Operations

The Group's statutory net profit after tax for the half year ended 31 December 2022 was $5,145 million, a decrease of $725 million or 12% on the prior comparative period. The decrease was driven by the non-recurrence of the net gain on sale of Colonial First State (CFS), higher loan impairment expense, operating expenses and income tax expense, partly offset by higher total operating income.

On 30 September 2022, the Group completed the sale of CommInsure General Insurance to Hollard Holdings Australia Pty Ltd.

There have been no significant changes in the nature of the principal activities of the Group during the half year.

The performance of the Group's business segments for the half year ended 31 December 2022 was as follows:

- The statutory net profit after tax from Retail Banking Services was $2,889 million, an increase of $648 million or 29% on the prior comparative period. The increase was driven by higher total operating income and the net gain on sale of CommInsure General Insurance, partly offset by higher operating expenses and loan impairment expense.
- The statutory net profit after tax from Business Banking was $1,972 million, an increase of $470 million or 31% on the prior comparative period. The increase was driven by higher total operating income, partly offset by higher operating expenses and loan impairment expense.
- The statutory net profit after tax from Institutional Banking and Markets was $453 million, a decrease of $138 million or 23% on the prior comparative period. The decrease was driven by lower total operating income, higher operating expenses and loan impairment expense.
- The statutory net profit after tax from New Zealand was $499 million, a decrease of $112 million or 18% on the prior comparative period. The decrease was driven by higher operating expenses, loan impairment expense and hedging and IFRS volatility losses, partly offset by higher total operating income.
- The statutory net loss after tax including discontinued operations from Corporate Centre and Other was $668 million, a decrease of $1,593 million on the prior comparative period. The decrease was driven by the non-recurrence of the net gain on sale of Colonial First State (CFS), lower total operating income and higher operating expenses, partly offset by an increase in hedging and IFRS volatility gains.

Additional analysis of operations for the half year ended 31 December 2022 is set out in the Highlights and Group and Divisional Performance Analysis sections.

The Board has received written statements from the Chief Executive Officer and Chief Financial Officer that the accompanying Financial Statements have been prepared in accordance with Australian Accounting Standards, Corporations Regulations 2001 and Corporations Act.

Material Business risks

The Group recognises that risk is inherent in business and that effective risk management is a key component of sound corporate governance and is essential in delivering our business objectives.

The Group's risk management framework, material risk types and approach to managing them during the period are described in the 2022 Annual Report on pages 50-55 and in Note 9.1 of the Financial report on pages 206-214.

In addition, commentary on the Group's ongoing litigations, investigations and reviews for the half year ended 31 December 2022 is included in Note 7.2 of the Financial Statements for the half year ended 31 December 2022.

Directors' Report

Rounding and Presentation of Amounts

Unless otherwise indicated, the Group has rounded off amounts in this Directors' Report and the accompanying financial statements to the nearest million dollars in accordance with ASIC Corporations Instrument 2016/191.

Auditor's Independence Declaration

A copy of the auditor's independence declaration has been obtained from the Group's auditors, PricewaterhouseCoopers and is set out on page 64.

Signed in accordance with a resolution of the Directors.

Paul O'Malley
Chairman
15 February 2023

Matt Comyn
Managing Director and Chief Executive Officer
15 February 2023

Auditor's Independence Declaration

Auditor's Independence Declaration

As lead auditor for the review of the Commonwealth Bank of Australia for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of the Commonwealth Bank of Australia and the entities it controlled during the period.

Elizabeth O'Brien
Partner
PricewaterhouseCoopers

Sydney
15 February 2023

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Financial Statements

Consolidated Income Statement

For the half year ended 31 December 2022

	Note	Half Year Ended [1] 31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M
Interest income:				
Effective interest income	2.1	**19,301**	12,113	11,874
Other interest income	2.1	**324**	181	125
Interest expense	2.1	**(7,988)**	(2,569)	(2,251)
Net interest income		**11,637**	9,725	9,748
Net other operating income [2]	2.2	**2,311**	3,044	2,419
Total net operating income before operating expenses and impairment		**13,948**	12,769	12,167
Operating expenses	2.3	**(5,992)**	(6,013)	(5,596)
Loan impairment (expense)/benefit	3.2	**(511)**	282	75
Net profit before income tax		**7,445**	7,038	6,646
Income tax expense	2.5	**(2,229)**	(2,106)	(1,905)
Net profit after income tax from continuing operations		**5,216**	4,932	4,741
Net (loss)/profit after income tax from discontinued operations	7.3	**(71)**	(31)	1,129
Net profit after income tax		**5,145**	4,901	5,870

1 Comparative information has been revised to reflect the change in presentation detailed in Note 1.1.
2 Net other operating income is presented net of directly attributable fees and commission expenses, depreciation and impairment charges.

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Earnings per share attributable to equity holders of the Bank:

	Half Year Ended 31 Dec 22 Cents per Share	30 Jun 22	31 Dec 21
Earnings per share from continuing operations:			
Basic	**307. 8**	289. 4	272. 5
Diluted	**298. 7**	278. 5	262. 8
Earnings per share:			
Basic	**303. 6**	287. 6	337. 4
Diluted	**294. 8**	276. 8	323. 6

Financial Statements (continued)

Consolidated Statement of Comprehensive Income

For the half year ended 31 December 2022

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Net profit after income tax for the period from continuing operations	**5,216**	4,932	4,741
Other comprehensive income/(expense):			
Items that may be reclassified subsequently to profit/(loss):			
Foreign currency translation reserve net of tax	**295**	(474)	234
Losses on cash flow hedging instruments net of tax	**(377)**	(818)	(508)
(Losses)/gains on debt investment securities at fair value through other comprehensive income net of tax	**(249)**	(615)	112
Total of items that may be reclassified	**(331)**	(1,907)	(162)
Items that will not be reclassified to profit/(loss):			
Actuarial (losses)/gains from defined benefit superannuation plans net of tax	**(20)**	52	24
Losses on equity investment securities at fair value through other comprehensive income net of tax	**(157)**	(1,466)	(161)
Revaluation of properties net of tax	**–**	25	5
Total of items that will not be reclassified	**(177)**	(1,389)	(132)
Other comprehensive income net of income tax from continuing operations	**(508)**	(3,296)	(294)
Total comprehensive income for the period from continuing operations	**4,708**	1,636	4,447
Net (loss)/profit after income tax for the period from discontinued operations	**(71)**	(31)	1,129
Total comprehensive income for the period	**4,637**	1,605	5,576

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
		Cents per Share	
Dividends per share attributable to shareholders of the Bank:			
Ordinary shares	**210**	210	175

Financial Statements (continued)

Consolidated Balance Sheet

As at 31 December 2022

Assets	Note	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M
		As at		
Cash and liquid assets		**156,140**	161,154	134,355
Receivables from financial institutions		**7,598**	6,845	5,072
Assets at fair value through Income Statement		**24,885**	25,315	32,269
Derivative assets		**29,668**	35,736	19,904
Investment securities:				
At amortised cost		**2,581**	3,217	3,930
At fair value through other comprehensive income		**80,202**	79,086	85,406
Assets held for sale	7.3	**3**	1,322	1,051
Loans, bills discounted and other receivables	3.1, 3.2	**906,324**	878,854	843,950
Property, plant and equipment		**5,068**	4,887	4,999
Investments in associates and joint ventures		**2,751**	2,801	5,151
Intangible assets		**7,136**	6,899	7,073
Deferred tax assets		**3,283**	3,173	2,186
Other assets		**6,797**	5,971	4,467
Total assets		**1,232,436**	1,215,260	1,149,813
Liabilities				
Deposits and other public borrowings	4.1	**879,152**	857,586	815,124
Payables to financial institutions		**19,863**	26,052	21,487
Liabilities at fair value through Income Statement		**7,015**	7,271	7,444
Derivative liabilities		**33,194**	33,899	18,892
Current tax liabilities		**305**	263	112
Deferred tax liabilities		**137**	150	264
Liabilities held for sale	7.3	**–**	1,183	952
Provisions		**3,163**	3,636	3,776
Term funding from central banks		**56,011**	54,807	52,828
Debt issues		**118,843**	116,902	117,466
Bills payable and other liabilities		**13,314**	12,656	8,647
		1,130,997	1,114,405	1,046,992
Loan capital		**28,896**	28,017	28,158
Total liabilities		**1,159,893**	1,142,422	1,075,150
Net assets		**72,543**	72,838	74,663
Shareholders' Equity				
Ordinary share capital	5.1	**35,140**	36,467	36,949
Reserves	5.1	**(986)**	(460)	2,848
Retained profits	5.1	**38,384**	36,826	34,861
Shareholders' Equity attributable to equity holders of the Bank		**72,538**	72,833	74,658
Non-controlling interests	5.1	**5**	5	5
Total Shareholders' Equity		**72,543**	72,838	74,663

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Ordinary share capital $M	Reserves $M	Retained profits $M	Total $M	Non-controlling interests $M	Total Shareholders' Equity $M
As at 30 June 2021	38,420	3,249	37,014	**78,683**	5	**78,688**
Net profit after income tax from continuing operations	–	–	4,741	**4,741**	–	**4,741**
Net profit after income tax from discontinued operations	–	–	1,129	**1,129**	–	**1,129**
Net other comprehensive income from continuing operations	–	(318)	24	**(294)**	–	**(294)**
Total comprehensive income for the period	–	(318)	5,894	**5,576**	–	**5,576**
Transactions with Equity holders in their capacity as Equity holders:						
Share buy-backs [1]	(1,467)	–	(4,534)	**(6,001)**	–	**(6,001)**
Dividends paid on ordinary shares	–	–	(3,548)	**(3,548)**	–	**(3,548)**
Dividend reinvestment plan (net of issue costs)	(1)	–	–	**(1)**	–	**(1)**
Share-based payments	–	(48)	–	**(48)**	–	**(48)**
Purchase of treasury shares	(61)	–	–	**(61)**	–	**(61)**
Sale and vesting of treasury shares	58	–	–	**58**	–	**58**
Other changes	–	(35)	35	**–**	–	**–**
As at 31 December 2021	36,949	2,848	34,861	**74,658**	5	**74,663**
Net profit after income tax from continuing operations	–	–	4,932	**4,932**	–	**4,932**
Net profit after income tax from discontinued operations	–	–	(31)	**(31)**	–	**(31)**
Net other comprehensive income from continuing operations	–	(3,348)	52	**(3,296)**	–	**(3,296)**
Total comprehensive income for the period	–	(3,348)	4,953	**1,605**	–	**1,605**
Transactions with Equity holders in their capacity as Equity holders:						
Share buy-backs [2]	(470)	–	–	**(470)**	–	**(470)**
Dividends paid on ordinary shares	–	–	(2,987)	**(2,987)**	–	**(2,987)**
Share-based payments	–	39	–	**39**	–	**39**
Purchase of treasury shares	(15)	–	–	**(15)**	–	**(15)**
Sale and vesting of treasury shares	3	–	–	**3**	–	**3**
Other changes	–	1	(1)	**–**	–	**–**
As at 30 June 2022	36,467	(460)	36,826	**72,833**	5	**72,838**
Net profit after income tax from continuing operations	–	–	5,216	**5,216**	–	**5,216**
Net profit after income tax from discontinued operations	–	–	(71)	**(71)**	–	**(71)**
Net other comprehensive income from continuing operations	–	(488)	(20)	**(508)**	–	**(508)**
Total comprehensive income for the period	–	(488)	5,125	**4,637**	–	**4,637**
Transactions with Equity holders in their capacity as Equity holders:						
Share buy-backs [2]	(1,331)	–	–	**(1,331)**	–	**(1,331)**
Dividends paid on ordinary shares	–	–	(3,571)	**(3,571)**	–	**(3,571)**
Share-based payments	–	(34)	–	**(34)**	–	**(34)**
Purchase of treasury shares	(69)	–	–	**(69)**	–	**(69)**
Sale and vesting of treasury shares	73	–	–	**73**	–	**73**
Other changes	–	(4)	4	**–**	–	**–**
As at 31 December 2022	35,140	(986)	38,384	**72,538**	5	**72,543**

1 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The Group recognised $1 million transaction costs in relation to the capital return. The shares bought back were subsequently cancelled.

2 On 9 February 2022, the Group announced the intention to conduct an on-market share buy-back of up to $2 billion. During the half year ended 30 June 2022, 4,853,197 ordinary shares were bought back at an average price of $96.42 ($468 million). During the half year ended 31 December 2022, an additional 13,124,237 ordinary shares were bought back at an average price of $101.33 per share ($1,330 million). The Group recognised transaction costs of $2 million during the half year ended 30 June 2022 and $1 million in the half year ended 31 December 2022 in relation to the capital returns. The shares bought back were subsequently cancelled.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Financial Statements (continued)

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	Half Year Ended [1, 2]		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Cash flows from operating activities before changes in operating assets and liabilities	**5,713**	5,149	4,240
Changes in operating assets and liabilities arising from cash flow movements	**(6,795)**	3,417	10,434
Net cash (used in)/provided by operating activities	**(1,082)**	8,566	14,674
Net proceeds from disposal of entities and businesses (net of cash and cash equivalents disposed)	**567**	1,827	1,937
Other cash used in investing activities	**(845)**	(529)	(566)
Net cash (used in)/provided by investing activities	**(278)**	1,298	1,371
Share buy-backs	**(1,331)**	(470)	(6,001)
Dividends paid [3]	**(3,571)**	(2,987)	(3,548)
Proceeds from issuance of debt securities	**28,349**	28,394	33,527
Redemption of issued debt securities	**(26,584)**	(26,831)	(19,048)
Proceeds from drawing on term funding from central banks	**1,226**	1,979	972
Other cash provided by/(used in) financing activities	**950**	1,434	(1,710)
Net cash (used in)/provided by financing activities	**(961)**	1,519	4,192
Net (decrease)/increase in cash and cash equivalents	**(2,321)**	11,383	20,237
Effect of foreign exchange rates on cash and cash equivalents	**483**	407	(52)
Cash and cash equivalents at beginning of period	**119,355**	107,565	87,380
Cash and cash equivalents at end of period	**117,517**	119,355	107,565

1 It should be noted that the Group does not use this accounting Statement of Cash Flows in the internal management of its liquidity positions.
2 Comparative information includes discontinued operations.
3 Includes the dividend reinvestment plan (DRP) satisfied by on-market purchase and transfer of shares.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. Overview

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments

General Information

The financial report of the Commonwealth Bank of Australia (the Bank) and its subsidiaries (the Group) for the half year ended 31 December 2022, were approved and authorised for issue by the Board of Directors on 15 February 2023. The Directors have the power to amend and reissue the financial statements.

The financial report includes the condensed consolidated financial statements of the Group, accompanying notes, Directors' Declaration and the Independent Auditor's Review Report.

The Bank is a for-profit entity incorporated and domiciled in Australia. It is a company limited by shares that are publicly traded on the Australian Securities Exchange. The registered office is Commonwealth Bank Place South, Level 1, 11 Harbour Street, Sydney, NSW 2000, Australia.

On 30 September 2022, the Group completed the sale of CommInsure General Insurance to Hollard Holdings Australia Pty Ltd.

There have been no other significant changes in the nature of the principal activities of the Group during the half year.

Basis of Accounting

The general purpose financial report for the half year ended 31 December 2022 has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) and AASB 134 Interim Financial Reporting which ensures compliance with IAS 34 Interim Financial Reporting. The Group is a for-profit entity for the purpose of preparing this report.

This half year financial report does not include all notes of the type normally included within an Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial position and financial performance of the Group as that given by the Annual Financial Report.

As a result, this half year financial report should be read in conjunction with the 2022 Annual Report of the Group and any public announcements made in the period by the Group in accordance with the continuous disclosure requirements of the Corporations Act 2001 (Cth) and the ASX Listing Rules.

The amounts contained in this half year financial report are presented in Australian dollars and rounded to the nearest million dollars unless otherwise stated, under the option available under ASIC Corporations Instrument 2016/191. For the purpose of this half year financial report, the half year has been treated as a discrete reporting period.

Except as discussed below, the accounting policies adopted in the preparation of the half year financial report are consistent with those adopted by the Group and disclosed in the 2022 Annual Report.

Where necessary, comparative information has been restated to conform to presentation in the current period. All changes have been footnoted throughout the financial statements. Discontinued operations are excluded from the results of the continuing operations and are presented as a single line item "net profit after tax from discontinued operations" in the Consolidated Income Statement.

Adoption of Amended Accounting Standards and Future Accounting Developments

Future Accounting Developments

There are no new accounting standards or amendments to existing standards that are not yet effective, which are expected to have a material impact on the Group.

Interest Rate Benchmark Reform

Background

Interbank Offered Rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments. While many of these IBORs have been reformed, some are ceasing altogether. In March 2021, the UK Financial Conduct Authority (FCA) announced the date on which LIBOR would cease, after which representative LIBOR rates would no longer be available. The cessation date for all tenors of GBP, CHF, EUR and JPY LIBOR and the one-week and two-month tenors for USD LIBOR was 31 December 2021. GBP LIBOR (in 1,3 and 6 month tenors) continues to be published in a synthetic 'non-representative' form. The Group has a small number of exposures that reference this rate. The cessation date for the remaining USD LIBOR tenors is 30 June 2023. Market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates (RFRs). The AUD Bank Bill Swap Rate (BBSW), Euro Interbank Offered Rate (EURIBOR) and NZ Bank Bill Market (BKBM) are not expected to be directly impacted by the interest rate benchmark reform (IBOR reform) and are not expected to be discontinued.

Notes to the Financial Statements (continued)

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

The Group is exposed to LIBOR through various financial instruments including loans, investment and trading securities, derivatives, debt issues, and deposits. Existing LIBOR-referencing contracts that mature beyond their respective LIBOR cessation dates are to be replaced with new contracts or to be amended to either reference an alternate RFR or include legal provisions that offer an unambiguous and predetermined path to interest rate benchmark replacement (fallback provisions), prior to the applicable LIBOR cessation date. Amongst the matters considered in the contractual transition are the fundamental differences between LIBORs and RFRs. RFRs are overnight rates, while LIBORs are available in multiple tenors. LIBORs also incorporate a bank credit risk premium while RFRs do not. As a result of these differences, both term and spread adjustments to the applicable fallback RFRs are required to ensure that contracts that reference LIBOR transition on an economically equivalent basis.

Accounting amendments

In 2018, in response to the uncertain long-term viability of interest rate benchmarks, and LIBOR in particular, the International Accounting Standards Board (IASB) commenced a review of the financial reporting implications associated with IBOR reform. Resulting amendments to accounting standards were subsequently issued in two phases.

AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform was issued by the Australian Accounting Standards Board (AASB) in October 2019 and amended hedge accounting requirements to provide relief from the potential effects of uncertainty caused by IBOR reform. The Group early adopted the amendments for the year ended 30 June 2020.

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 was issued by the AASB in September 2020. The amendments only apply to those changes to financial instruments and hedging relationships that are a direct consequence of IBOR reform and where cash flows are amended on an economically equivalent basis. The Group adopted these amendments during the prior reporting period. The key changes include the following:

- A practical expedient for changes in contractual cash flows required by the reform – the Group does not have to derecognise or adjust the carrying amount of financial instruments for these changes, but instead updates the effective interest rate to reflect the change to the alternative benchmark rate;
- Hedge accounting – the Group does not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets all the other hedge accounting criteria; and
- Additional disclosures – the Group is required to disclose information, as contained in this note, about new risks arising from the reform as well as how the Group manages the transition to alternative benchmark rates.

IBOR reform program

In October 2018, the Group formed the Interest Rate Benchmark Reform Program (the Program) which has been tasked with addressing the impact to the Group resulting from the transition from IBORs to RFRs. The Program includes a formal governance structure to ensure clear accountability for all decisions, and incorporates the requisite risk, treasury, finance, legal, business and support functions.

The transition from IBORs to RFRs has resulted in various risks to the Group, including operational, financial, legal, compliance and conduct risks. These risks have stemmed from, amongst others, the need for new products that incorporate RFRs, the impact of IBOR related changes on customers and financial instrument counterparties, as well as the need for different system and process capabilities. The Group under direction of the Program, has applied various means of eliminating and managing these risks, while ensuring that customer outcomes are appropriate and any disruption to business is minimized. No material changes have been made to the Group's risk management strategy.

The Group has been actively engaged in industry working groups and IBOR reform forums which has ensured the implementation has been consistent with the market and compliant to date.

The use of LIBOR in new products has been phased out in accordance with industry and supervisory guidance.

1.1 General Information, Basis of Accounting, Adoption of Amended Accounting Standards and Future Accounting Developments (continued)

Financial instruments impacted by IBOR reform

The table below provides the Group's remaining exposure to interest rate benchmarks that are subject to IBOR reform. More specifically, the table provides financial instrument exposures that currently mature after the relevant LIBOR cessation date and that are yet to transition to an alternative RFR. The vast majority of non-cleared derivatives are now subject to the ISDA Fallbacks Protocol for converting LIBORs to RFRs upon the occurrence of an index cessation event. Cleared derivatives will transition in accordance with the clearing house rulebook. In addition, the Group has been engaging with customers and counterparties in respect of non-derivative financial instruments to transition to an alternative RFR or include appropriate fallback provisions.

The gross carrying values of financial instruments yet to transition to RFRs as at 31 December 2022 are presented below.

	USD LIBOR $M
Non-derivative financial assets [1]	**4,860**
Non-derivative financial liabilities	**944**
Derivative assets	**8,904**
Derivative liabilities	**8,423**
Loan commitments	**2,893**

1 Excludes provisions for expected credit losses.

Change in Income Statement presentation

During the half year ended 31 December 2022, the Group revised presentation of fee and commission expenses directly attributable to revenue generation, such as credit card loyalty fees, card processing expenses, other volume related expenses, and certain other items. These expenses have been reclassified from Operating expenses to Net other operating income and included together with commissions income in the net commissions income line to provide more relevant information about the net margin generated by the Group through certain business activities.

These changes have been applied retrospectively and resulted in a reduction in Operating expenses and Net other operating income for the half years ended 30 June 2022 and 31 December 2021 of $109 million and $98 million, respectively. In the half year ended 31 December 2022, $155 million of expenses were presented within Net other operating income as a result of this change.

2. Our Performance

Overview

The Group earns its returns from providing a broad range of banking products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with Net interest income being the main contributor to the Group's results. Net interest income is derived from the difference between interest earned on lending and investment assets and interest paid on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions and trading activities. It also incurs costs associated with running the business such as staff, occupancy and technology related expenses.

Our Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments and geographic regions.

2.1 Net Interest Income

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Interest Income			
Effective interest income:			
Loans and bills discounted	**16,155**	11,561	11,612
Other financial institutions	**144**	14	6
Cash and liquid assets	**1,779**	217	37
Investment securities:			
At amortised cost	**50**	29	20
At fair value through Other Comprehensive Income	**1,173**	292	199
Total effective interest income	**19,301**	12,113	11,874
Other interest income:			
Assets at fair value through Income Statement	**274**	130	71
Other	**50**	51	54
Total interest income	**19,625**	12,294	11,999
Interest Expense			
Deposits	**4,656**	1,218	1,202
Term funding from central banks	**106**	56	43
Other financial institutions	**332**	70	24
Liabilities at fair value through Income Statement	**82**	67	38
Debt issues	**1,890**	586	411
Loan capital	**682**	357	330
Lease liabilities	**38**	37	38
Bank levy	**202**	178	165
Total interest expense	**7,988**	2,569	2,251
Net interest income	**11,637**	9,725	9,748

2.1 Net Interest Income (continued)

ACCOUNTING POLICIES

Interest income and interest expense on financial assets and liabilities measured at amortised cost, and debt financial assets measured at fair value through OCI, are recognised using the effective interest method. Interest income recognition for these categories of financial assets depends on the expected credit losses (ECL) stage they are allocated to in accordance with the Group's ECL methodology. For financial assets classified within Stage 1 and Stage 2 interest income is calculated by applying the effective interest rate to the gross carrying amount of the assets. Interest income on financial assets in Stage 3 is recognised by applying the effective interest rate to the gross carrying amount net of provisions for impairment. For details on the Group's ECL methodology refer to Note 3.2.

Fees, transaction costs and issue costs integral to financial assets and liabilities are capitalised and included in the interest recognised over the expected life of the instrument. This includes establishment fees for providing a loan or a lease arrangement. Facility and line fees in relation to commitments made under credit facilities where draw down is assessed as probable are considered an integral part of effective interest rate and recognised in Net interest income.

Interest income on finance leases is recognised progressively over the life of the lease, consistent with the outstanding investment and unearned income balance.

Interest income and expense on financial assets and liabilities that are classified at fair value through the Income Statement are accounted for on a contractual rate basis and include amortisation of premium/discounts. Other fair value changes are recognised in Other operating income.

Interest expense also includes payments made under a liquidity facility arrangement with the Reserve Bank of Australia, the Major Bank Levy (Bank Levy) expense and other financing charges.

2.2 Net Other Operating Income

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Commission income	**1,180**	1,133	1,176
Commission expense [2]	**(167)**	(122)	(109)
Net commission income	**1,013**	1,011	1,067
Lending fees	**357**	359	377
Trading income	**513**	438	368
Net gain on non-trading financial instruments [3]	**343**	256	164
Net (loss)/gain on sale of property, plant and equipment	**(4)**	–	12
Net (loss)/gain from hedging ineffectiveness	**(6)**	16	(12)
Dividends	**25**	–	–
Share of profit from associates and joint ventures net of impairment	**(15)**	753	259
Net insurance and funds management income	**28**	110	98
Other [4,5]	**57**	101	86
Total net other operating income	**2,311**	3,044	2,419

1 Comparative information has been revised to reflect the change in presentation detailed in Note 1.1.
2 Includes expenses directly attributable to commission income generation such as credit card loyalty programs, card processing and certain other volume related expenses.
3 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes and gains/(losses) on disposal of businesses not classified as discontinued operations. For detail on businesses held for sale, refer to Note 7.3
4 The half year ended 31 December 2022 includes depreciation of $32 million in relation to assets held for lease as lessor by the Group (30 June 2022: $29 million; 31 December 2021: $32 million).
5 The half year ended 31 December 2022 includes a $4 million reversal of impairment loss in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2022: $60 million impairment reversal; 31 December 2021: $8 million impairment reversal).

Notes to the Financial Statements (continued)

2.2 Net Other Operating Income (continued)

ACCOUNTING POLICIES

Lending fees and commission income are accounted for as follows:

- facility fees earned for managing and administering credit and other facilities for customers are generally charged to the customer on a monthly or annual basis and are recognised as revenue over the service period. Annual fees that are not an integral part of the effective interest rate are deferred on the Balance Sheet in Bills payable and other liabilities and recognised on a straight-line basis over the year. Transaction based fees are charged and recognised at the time of the transaction;
- commitment fees and fees in relation to guarantee arrangements are deferred and recognised over the life of the contractual arrangements;
- fee income is earned for providing advisory or arrangement services, placement and underwriting services. These fees are recognised and charged when the related service is completed which is typically at the time of the transaction.
- the Group assesses whether the nature of the arrangement with its customer is as a principal provider or an agent of another party. Where the Group acts as an agent for another party, the income earned by the Group is the net consideration received. As an agent, the net consideration represents fee income for facilitating the transaction between the customer and the third party provider with primary responsibility for fulfilling the contract.
- commission income is presented net of directly attributable incremental external costs. Directly attributable incremental costs are the costs that would not have been incurred if a specific service had not been provided to a customer. These costs include the costs associated with credit card loyalty programs which are recognised as an expense when the services are provided on the redemption of points, cards processing expenses and certain other volume related expenses.

Establishment fees on financing facilities are deferred and amortised to interest income over the expected life of the loan and are not recognised when the commitment is issued.

Trading income represents both realised and unrealised gains and losses from changes in the fair value of trading assets, liabilities and derivatives, which are recognised in the period in which they arise.

Net gain/(loss) on non-trading financial instruments includes realised and unrealised gains and losses from non-trading financial assets and liabilities, as well as realised and unrealised gains and losses on non-trading derivatives that are held for risk management purposes.

Net gain/(loss) on the disposal of property, plant and equipment is the difference between proceeds received and its carrying value.

Net hedging ineffectiveness is measured on fair value, cash flow and net investment hedges.

Dividends received on non-trading equity investments are recognised on the ex-dividend date or when the right to receive payment is established.

Funds management fees are recognised over the service period as the performance obligation is met and when it is probable that the revenue will be received.

The Group equity accounts for its share of the profits or losses of associate or joint venture investments, net of impairment recognised. Dividends received are recognised as a reduction of the investment carrying amount.

Other income includes rental income on operating leases which is recognised on a straight-line basis over the lease term. This income is presented net of depreciation and impairment expense on the associated operating lease assets held by the Group.

Other income also includes the impact of foreign currency revaluations for foreign currency monetary assets and liabilities. These assets and liabilities are retranslated at the spot rate at the balance sheet date. Exchange differences arising upon settling or translating monetary items at different rates to those at which they were initially recognised or previously reported, are recognised in the Income Statement.

Notes to the Financial Statements (continued)

2.3 Operating Expenses

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Staff Expenses			
Salaries and related on-costs	**3,200**	2,928	3,027
Share-based compensation	**63**	56	55
Superannuation	**274**	252	264
Total staff expenses	**3,537**	3,236	3,346
Occupancy and Equipment Expenses			
Lease expenses	**81**	79	62
Depreciation of property, plant and equipment	**307**	310	330
Other occupancy expenses	**91**	101	96
Total occupancy and equipment expenses	**479**	490	488
Information Technology Services			
System development and support	**553**	502	488
Infrastructure and support	**171**	166	169
Communications	**66**	73	83
Amortisation and write-offs of software assets [2]	**183**	601	160
IT equipment depreciation	**53**	56	61
Total information technology services	**1,026**	1,398	961
Other Expenses			
Postage and stationery	**67**	64	67
Transaction processing and market data	**49**	54	40
Fees and commissions:			
Professional fees	**231**	290	248
Other	**41**	56	71
Advertising and marketing	**118**	126	101
Non-lending losses	**138**	149	143
Other	**87**	75	25
Total other expenses	**731**	814	695
Operating expenses before restructuring, separation and transaction costs	**5,773**	5,938	5,490
Restructuring, separation and transaction costs	**219**	75	106
Total operating expenses [3]	**5,992**	6,013	5,596

1 Comparative information has been revised to reflect the change in presentation detailed in Note 1.1.
2 The half year ended 30 June 2022 includes $389 million of accelerated amortisation and software write-offs.
3 The half year ended 31 December 2022 includes $62 million of Banking, other Wealth and employee related remediation and litigation provisions (30 June 2022: $77 million; 31 December 2021: $50 million), and $285 million of additional costs, including provisions, for historical Aligned Advice remediation issues and associated program costs (30 June 2022: $81 million; 31 December 2021: $43 million).

Notes to the Financial Statements (continued)

2.3 Operating Expenses (continued)

ACCOUNTING POLICIES

Salaries and related on-costs include annual leave, long service leave, employee incentives and relevant taxes. Staff expenses are recognised over the period the employee renders the service. Long service leave is discounted to present value using assumptions relating to staff departures, leave utilisation and future salary.

Share-based compensation includes plans which may be cash or equity settled. Cash settled share-based remuneration is recognised as a liability and re-measured to fair value until settled. The changes in fair value are recognised as staff expenses. Equity settled remuneration is fair valued at the grant date and amortised to staff expenses over the vesting period, with a corresponding increase in the Employee compensation reserve.

Superannuation expense includes expenses relating to defined contribution and defined benefit superannuation plans. Defined contribution expense is recognised in the period the service is provided, whilst the defined benefit expense, which measures current and past service costs, is determined by an actuarial calculation.

Occupancy and equipment expenses include depreciation which is calculated using the straight-line method over the asset's estimated useful life. Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset, with the depreciation presented within depreciation of Property, plant and equipment.

IT services expenses are recognised as incurred when the related services are delivered, unless they qualify for capitalisation as computer software because they are identifiable and controlled in a way that allows future economic benefits to be obtained and others' access to those benefits can be restricted. Capitalised computer software assets are amortised over their estimated useful life.

SaaS arrangements are service contracts providing the Group with the right to access the provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the provider's application software, are recognised as operating expenses when the services are received. Some of these costs are incurred for the development of software code that enhances, modifies or creates additional capability to existing on-premises systems and meets the recognition criteria for an intangible asset.

The Group assesses, at each Balance Sheet date, useful lives and residual values of capitalised software assets and Property, plant and equipment and whether there is any objective evidence of impairment. If an asset's carrying value is greater than its recoverable amount, the carrying amount is written down immediately to its recoverable amount.

Other expenses are recognised as the relevant service is rendered. Operating expenses related to provisions are recognised for present obligations arising from past events where a payment to settle the obligation is probable and can be reliably estimated.

Critical accounting judgements and estimates

Actuarial valuations of the Group's defined benefit superannuation plans' obligations are dependent on a series of assumptions set out in Note 10.2 in the 2022 Annual Report, including inflation rates, discount rates and salary growth rates. Changes in these assumptions impact the fair value of the plans' obligations, assets, superannuation expense and actuarial gains and losses recognised in other comprehensive income.

Measurements of the Group's share-based compensation is dependent on assumptions, including grant date fair values. Information on these is set out in Note 10.1 in the 2022 Annual Report.

Refer to Note 6.2 in the 2022 Annual Report for more information on the judgements and estimates associated with goodwill.

2.4 Financial Reporting by Segments

The principal activities of the Group are carried out in the business segments below. These segments are based on the distribution channels through which customer relationships are managed. Business segments are managed on the basis of net profit after tax ("cash basis").

During the half year ended 31 December 2022, there were re-segmentations, allocations and reclassifications, including refinements to the allocation of support units and other costs. These changes have not impacted the Group's net profit, but have resulted in changes to the presentation of the Income Statement and the Balance Sheet of the affected segments. These changes have been applied retrospectively.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2022					
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other $M	Total $M
Net interest income	5,775	3,832	710	1,364	(44)	**11,637**
Other operating income:						
Net commission income	522	285	88	119	(1)	**1,013**
Lending fees	95	159	89	14	–	**357**
Trading and other income	(2)	143	229	98	118	**586**
Total other operating income	615	587	406	231	117	**1,956**
Total operating income	6,390	4,419	1,116	1,595	73	**13,593**
Operating expenses	(2,320)	(1,340)	(529)	(555)	(1,029)	**(5,773)**
Loan impairment (expense)/benefit	(237)	(263)	39	(45)	(5)	**(511)**
Net profit/(loss) before tax	3,833	2,816	626	995	(961)	**7,309**
Corporate tax (expense)/benefit	(1,142)	(844)	(173)	(277)	280	**(2,156)**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,691	1,972	453	718	(681)	**5,153**
Net profit after tax from discontinued operations	–	–	–	–	10	**10**
Net profit/(loss) after tax - "cash basis" [1]	2,691	1,972	453	718	(671)	**5,163**
Gain/(loss) on disposal of entities net of transaction costs	198	–	–	–	(228)	**(30)**
Hedging and IFRS volatility	–	–	–	(219)	231	**12**
Net profit/(loss) after tax - "statutory basis"	2,889	1,972	453	499	(668)	**5,145**
Additional information						
Amortisation and depreciation	(74)	(37)	(22)	(68)	(342)	**(543)**
Balance Sheet						
Total assets	489,558	228,816	187,745	116,373	209,944	**1,232,436**
Total liabilities	348,396	229,296	230,024	104,826	247,351	**1,159,893**

1 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

Notes to the Financial Statements (continued)

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 30 June 2022 [1]					
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other [2] $M	Total $M
Net interest income	4,757	2,973	753	1,160	82	**9,725**
Other operating income:						
Net commission income	454	356	93	108	–	**1,011**
Lending fees	101	149	90	18	1	**359**
Trading and other income	111	113	216	113	934	**1,487**
Total other operating income	666	618	399	239	935	**2,857**
Total operating income	5,423	3,591	1,152	1,399	1,017	**12,582**
Operating expenses	(2,121)	(1,354)	(495)	(541)	(1,427)	**(5,938)**
Loan impairment benefit/(expense)	413	(83)	(14)	(49)	15	**282**
Net profit/(loss) before tax	3,715	2,154	643	809	(395)	**6,926**
Corporate tax (expense)/benefit	(1,115)	(645)	(176)	(223)	82	**(2,077)**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,600	1,509	467	586	(313)	**4,849**
Net profit after tax from discontinued operations	–	–	–	–	13	**13**
Net profit/(loss) after tax - "cash basis" [3]	2,600	1,509	467	586	(300)	**4,862**
(Loss)/gain on disposal of entities net of transaction costs	(58)	19	–	–	(46)	**(85)**
Hedging and IFRS volatility	–	–	–	(468)	592	**124**
Net profit after tax - "statutory basis"	2,542	1,528	467	118	246	**4,901**
Additional information						
Amortisation and depreciation	(82)	(61)	(25)	(70)	(729)	**(967)**
Balance Sheet						
Total assets	477,168	222,439	191,862	109,943	213,848	**1,215,260**
Total liabilities	338,987	223,335	234,081	100,258	245,761	**1,142,422**

1 Comparative information has been restated to reflect the change in presentation detailed in Note 1.1.

2 Includes Wealth Management.

3 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended 31 December 2021 [1]					
	Retail Banking Services $M	Business Banking $M	Institutional Banking and Markets $M	New Zealand $M	Corporate Centre and Other [2] $M	Total $M
Net interest income	4,846	2,872	794	1,174	62	**9,748**
Other operating income:						
Net commission income	477	368	79	110	33	**1,067**
Lending fees	103	137	119	19	(1)	**377**
Trading and other income	122	109	160	129	395	**915**
Total other operating income	702	614	358	258	427	**2,359**
Total operating income	5,548	3,486	1,152	1,432	489	**12,107**
Operating expenses	(2,256)	(1,307)	(491)	(501)	(935)	**(5,490)**
Loan impairment (expense)/benefit	(7)	(32)	125	12	(23)	**75**
Net profit/(loss) before tax	3,285	2,147	786	943	(469)	**6,692**
Corporate tax (expense)/benefit	(972)	(646)	(195)	(264)	131	**(1,946)**
Net profit/(loss) after tax from continuing operations - "cash basis"	2,313	1,501	591	679	(338)	**4,746**
Net profit after tax from discontinued operations	–	–	–	–	100	**100**
Net profit/(loss) after tax - "cash basis" [3]	2,313	1,501	591	679	(238)	**4,846**
(Loss)/gain on disposal of entities net of transaction costs	(72)	1	–	–	1,111	**1,040**
Hedging and IFRS volatility	–	–	–	(68)	52	**(16)**
Net profit after tax - "statutory basis"	2,241	1,502	591	611	925	**5,870**
Additional information						
Amortisation and depreciation	(50)	(58)	(21)	(67)	(355)	**(551)**
Balance Sheet						
Total assets	462,975	212,254	162,975	110,197	201,412	**1,149,813**
Total liabilities	326,376	216,428	183,251	102,044	247,051	**1,075,150**

1 Comparative information has been restated to reflect the change in presentation detailed in Note 1.1.
2 Includes Wealth Management.
3 This balance excludes non-cash items, such as unrealised gains and losses relating to hedging and IFRS volatility, and gains and losses on previously announced divestments including post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs.

2.4 Financial Reporting by Segments (continued)

	Half Year Ended [1, 2]					
Geographical Information	**31 Dec 22**	**31 Dec 22**	30 Jun 22	30 Jun 22	31 Dec 21	31 Dec 21
Financial Performance and Position	**$M**	**%**	$M	%	$M	%
Income						
Australia	**11,737**	**84. 2**	10,891	85. 3	10,230	84. 1
New Zealand	**1,732**	**12. 4**	1,476	11. 6	1,493	12. 3
Other locations [3]	**479**	**3. 4**	402	3. 1	444	3. 6
Total Income	**13,948**	**100. 0**	12,769	100. 0	12,167	100. 0
Non-Current Assets [4]						
Australia	**13,940**	**93. 2**	13,610	93. 3	16,203	94. 0
New Zealand	**779**	**5. 2**	753	5. 2	785	4. 6
Other locations [3]	**236**	**1. 6**	224	1. 5	235	1. 4
Total non-current assets	**14,955**	**100. 0**	14,587	100. 0	17,223	100. 0

1 Comparative information has been restated to reflect the change in presentation detailed in Note 1.1.
2 Information is presented on a continuing operations basis.
3 Other locations include: United Kingdom, the Netherlands, United States, Japan, Singapore, Malta, Hong Kong, Indonesia, China and India.
4 Non-current assets include Property, plant and equipment, Investments in associates and joint ventures, and Intangible assets.

The geographical segment represents the location in which the transaction was recognised.

ACCOUNTING POLICY

Operating segments are reported based on the Group's organisational and management structures. Senior management review the Group's internal reporting based around these segments, in order to assess performance and allocate resources.

All transactions between segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated in the 'Corporate Centre and Other' segment.

2.5 Income Tax Expense

The income tax expense for the half year is determined from the profit before income tax as follows:

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Profit before income tax	**7,445**	7,038	6,646
Prima facie income tax at 30%	**2,234**	2,111	1,994
Effect of amounts which are non-deductible/(non-assessable) in calculating taxable income:			
Offshore tax rate differential	**(26)**	(17)	(30)
Offshore banking unit	**(46)**	(34)	(13)
Effect of change in tax rates	**–**	–	17
Income tax over provided in previous years	**(19)**	(38)	(2)
Gains on disposals	**20**	60	–
Hybrid capital distributions	**47**	27	26
Other	**19**	(3)	(87)
Total income tax expense	**2,229**	2,106	1,905
Effective tax rate (%)	**29. 9**	29. 9	28. 7

ACCOUNTING POLICY

Income tax on the profit or loss for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the Balance Sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the Balance Sheet method where temporary differences are identified by comparing the carrying amounts of assets and liabilities for financial reporting purposes to their tax bases.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities (i.e. through use or through sale), using tax rates which are expected to apply when the Deferred tax asset is realised or the Deferred tax liability is settled.

Deferred tax assets and liabilities are offset where they relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities within the same taxable group.

The Bank and its wholly owned Australian subsidiaries elected to be treated as a single entity ("the tax consolidated group") under the tax consolidation regime from 1 July 2002. The members of the tax consolidated group have entered into tax funding and tax sharing agreements, which set out the funding obligations and members.

Any current tax liabilities/assets and deferred tax assets from unused tax losses from subsidiaries in the tax consolidated group are recognised by the Bank legal entity and funded in line with the tax funding arrangement.

The measurement and disclosure of deferred tax assets and liabilities have been performed on a modified stand-alone basis under UIG 1052 *Tax Consolidation Accounting*.

Critical accounting judgements and estimates

Provisions for taxation require significant judgement with respect to outcomes that are uncertain. For such uncertainties, the Group has estimated the tax provisions based on the expected outcomes. A deferred tax asset is only recognised to the extent that it is probable that future taxable profits will be available for it to be used against.

3. Our Lending Activities

Overview

Lending is the Group's primary business activity, generating most of its net interest income and lending fees. The Group satisfies customers' needs for borrowed funds by providing a broad range of lending products in Australia, New Zealand and other jurisdictions. As a result of its lending activities, the Group assumes credit risk arising from the potential that it will not receive the full amount owed.

This section provides details of the Group's lending portfolio by type of product and geographic region, analysis of the credit quality of the Group's lending portfolio and the related impairment provisions.

3.1 Loans, Bills Discounted and Other Receivables

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Australia			
Overdrafts	**22,130**	24,170	17,070
Home loans [1, 2]	**570,427**	556,499	539,690
Credit card outstandings	**9,045**	8,711	8,658
Lease financing	**3,230**	3,297	3,473
Term loans and other lending	**190,269**	176,960	164,724
Total Australia	**795,101**	769,637	733,615
New Zealand			
Overdrafts	**970**	844	845
Home loans [1, 2]	**68,546**	65,072	65,748
Credit card outstandings	**922**	838	905
Term loans and other lending	**32,661**	31,534	32,300
Total New Zealand	**103,099**	98,288	99,798
Other Overseas			
Overdrafts	**84**	162	213
Home loans	**353**	422	472
Term loans and other lending	**14,198**	16,454	16,411
Total Other Overseas	**14,635**	17,038	17,096
Gross loans, bills discounted and other receivables	**912,835**	884,963	850,509
Less:			
Provisions for Loan Impairment:			
Collective provisions	**(4,763)**	(4,494)	(4,962)
Individually assessed provisions	**(641)**	(736)	(792)
Unearned income:			
Term loans	**(868)**	(680)	(622)
Lease financing	**(239)**	(199)	(183)
	(6,511)	(6,109)	(6,559)
Net loans, bills discounted and other receivables	**906,324**	878,854	843,950

1 Home loans balance includes residential mortgages that have been assigned to securitisation vehicles and covered bond trusts. Further details on these residential mortgages are disclosed in Note 4.5 in the 2022 Annual Report.

2 These balances are presented gross of mortgage offset balances as required under accounting standards.

3.1 Loans, Bills Discounted and Other Receivables (continued)

ACCOUNTING POLICIES

Loans, bills discounted and other receivables include overdrafts, home loans, credit cards and other personal lending, term loans, and discounted bills. These financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows. The contractual cash flows on these financial assets comprise the payment of principal and interest only. These instruments are accordingly measured at amortised cost.

Loans, bills discounted and other receivables, consistent with the Group's policy for all financial assets measured at amortised cost, are recognised on settlement date, when funding is advanced to the borrowers. They are initially recognised at their fair value plus directly attributable transaction costs such as broker fees and commissions. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method and are presented net of provisions for impairment. The accounting policy for provisions for impairment is in Note 3.2. For information on the Group's management of credit risk, refer to Note 9.2 of the 2022 Annual Report.

Finance leases, where the Group acts as lessor, are also included in Loans, bills discounted and other receivables. Finance leases are those where substantially all the risks and rewards of the lease asset have been transferred to the lessee. Lease receivables are recognised at an amount equal to the net investment in the lease. Finance lease income reflects a constant periodic return on this net investment and is recognised within Other interest income in the Consolidated Income Statement.

Critical accounting judgements and estimates

When applying the effective interest method the Group has estimated the behavioural term of each loan portfolio by reference to historical prepayment rates and the contractual maturity.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality

The following table provides information about movements in the Group's provision for impairment losses.

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Provision for impairment losses			
Collective provisions			
Opening balance	**4,611**	5,062	5,311
Net collective provision funding	**357**	(345)	(161)
Impairment losses written off	**(161)**	(155)	(188)
Impairment losses recovered	**64**	60	67
Other	**29**	(11)	33
Closing balance	**4,900**	4,611	5,062
Individually assessed provisions			
Opening balance	**736**	792	900
Net new and increased individual provisioning	**217**	145	176
Write-back of provisions no longer required	**(63)**	(82)	(90)
Discount unwind to interest income	**(7)**	(3)	(8)
Impairment losses written off	**(267)**	(137)	(205)
Other	**25**	21	19
Closing balance	**641**	736	792
Total provisions for impairment losses	**5,541**	5,347	5,854
Less: Provision for Off Balance Sheet exposures	**(137)**	(117)	(100)
Total provisions for loan impairment	**5,404**	5,230	5,754

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Loan impairment expense			
Net collective provision funding	**357**	(345)	(161)
Net new and increased individual provisioning	**217**	145	176
Write-back of individually assessed provisions	**(63)**	(82)	(90)
Total loan impairment expense/(benefit)	**511**	(282)	(75)

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	%	%	%
Provision ratios			
Total provisions for impaired assets as a % of gross impaired assets	**31. 36**	34. 67	30. 07
Total provisions for impairment losses as a % of gross loans and acceptances	**0. 61**	0. 60	0. 69

Movement in provisions for impairment and credit exposures by ECL stage

The following table provides movements in the Group's impairment provisions and credit exposures by expected credit loss (ECL) stage for the half years ended 31 December 2022, 30 June 2022 and 31 December 2021.

Movements in credit exposures and provisions for impairment in the following tables represent the sum of monthly movements over the half-year periods and are attributable to the following items:

- **Transfers to/(from):** movements due to transfers of credit exposures between Stage 1, Stage 2 and Stage 3. Excludes the impact of re-measurements of provisions for impairment between 12 months and lifetime ECL.
- **Net re-measurement on transfers between stages:** movements in provisions for impairment due to re-measurement between 12 months and lifetime ECL as a result of transfers of credit exposures between stages.
- **Net financial assets originated:** net movements in credit exposures and provisions for impairment due to new financial assets originated as well as changes in existing credit exposures due to maturities, repayments or credit limit changes.
- **Movements in existing IAP (including IAP write-backs):** net movements in existing Individually Assessed Provisions (IAP) excluding write-offs.
- **Movement due to risk parameters and other changes:** movements in provisions for impairment due to changes in credit risk parameters, forward looking economic scenarios or other assumptions as well as other changes in underlying credit quality that do not lead to transfers between Stage 1, Stage 2 and Stage 3.
- **Write-offs:** derecognition of credit exposures and provisions for impairment upon write-offs.
- **Recoveries:** increases in provisions for impairment due to recoveries of loans previously written off.
- **Foreign exchange and other movements:** other movements in credit exposures and provisions for impairment including the impact of changes in foreign exchange rates.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	Group							
	Stage 1 [1] Collectively assessed		Stage 2 [2] Collectively assessed		Stage 3 [3] Collectively and individually assessed		Total	
	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M	Gross exposure $M	ECL $M
Opening balance as at 1 July 2021	**849,367**	**1,614**	**139,724**	**2,936**	**7,713**	**1,661**	**996,804**	**6,211**
Transfers to/(from)								
Stage 1	47,296	703	(47,259)	(700)	(37)	(3)	**–**	**–**
Stage 2	(81,576)	(362)	83,556	613	(1,980)	(251)	**–**	**–**
Stage 3	(607)	(11)	(2,684)	(256)	3,291	267	**–**	**–**
Net re-measurement on transfers between stages	–	(397)	–	522	–	204	**–**	**329**
Net financial assets originated	61,723	159	(23,595)	(395)	(1,483)	(130)	**36,645**	**(366)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	50	**–**	**50**
Movements due to risk parameters and other changes	–	(9)	–	56	–	(135)	**–**	**(88)**
Loan impairment expense/(benefit) for the period		83		(160)		2		**(75)**
Write-offs	–	–	–	–	(393)	(393)	**(393)**	**(393)**
Recoveries	–	–	–	–	–	67	**–**	**67**
Foreign exchange and other movements	2,380	11	549	19	26	14	**2,955**	**44**
Closing balance as at 31 December 2021	**878,583**	**1,708**	**150,291**	**2,795**	**7,137**	**1,351**	**1,036,011**	**5,854**
Transfers to/(from)								
Stage 1	53,538	773	(53,454)	(766)	(84)	(7)	**–**	**–**
Stage 2	(63,908)	(352)	65,585	523	(1,677)	(171)	**–**	**–**
Stage 3	(456)	(10)	(2,955)	(293)	3,411	303	**–**	**–**
Net re-measurement on transfers between stages	–	(497)	–	569	–	182	**–**	**254**
Net financial assets originated	51,124	150	(16,765)	(301)	(1,030)	(113)	**33,329**	**(264)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	63	**–**	**63**
Movements due to risk parameters and other changes	–	(454)	–	17	–	102	**–**	**(335)**
Loan impairment (benefit)/expense for the period		(390)		(251)		359		**(282)**
Write-offs	–	–	–	–	(292)	(292)	**(292)**	**(292)**
Recoveries	–	–	–	–	–	60	**–**	**60**
Foreign exchange and other movements	(3,998)	(5)	(885)	(6)	(3)	18	**(4,886)**	**7**
Closing balance as at 30 June 2022	**914,883**	**1,313**	**141,817**	**2,538**	**7,462**	**1,496**	**1,064,162**	**5,347**
Transfers to/(from)								
Stage 1	51,590	762	(50,747)	(757)	(843)	(5)	**–**	**–**
Stage 2	(73,043)	(346)	73,745	462	(702)	(116)	**–**	**–**
Stage 3	(593)	(9)	(2,305)	(200)	2,898	209	**–**	**–**
Net re-measurement on transfers between stages	–	(529)	–	839	–	144	**–**	**454**
Net financial assets originated	45,654	193	(23,522)	(354)	(1,178)	(125)	**20,954**	**(286)**
Movement in existing IAP (including IAP write-backs)	–	–	–	–	–	114	**–**	**114**
Movements due to risk parameters and other changes	–	342	–	(91)	–	(22)	**–**	**229**
Loan impairment expense/(benefit) for the period		413		(101)		199		**511**
Write-offs	–	–	–	–	(428)	(428)	**(428)**	**(428)**
Recoveries	–	–	–	–	–	64	**–**	**64**
Foreign exchange and other movements	7,821	10	1,015	15	45	22	**8,881**	**47**
Closing balance as at 31 December 2022	**946,312**	**1,736**	**140,003**	**2,452**	**7,254**	**1,353**	**1,093,569**	**5,541**

1 Movements in credit exposures exclude Cash and liquid assets and Receivables from financial institutions. Movements in provisions for impairment losses include provisions in relation to Cash and liquid assets and Receivables from financial institutions. As at 31 December 2022, collective provisions in Stage 1 include $16 million in relation to these financial assets (30 June 2022: $15 million; 31 December 2021: $17 million).

2 The assessment of significant increase in credit risk (SICR) includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 59% of Stage 2 exposures as at 31 December 2022 (30 June 2022: 62%; 31 December 2021: 65%).

3 As at 31 December 2022, Stage 3 includes $5,873 million of collectively assessed credit exposures (30 June 2022: $6,019 million; 31 December 2021: $5,431 million) and $1,381 million of individually assessed credit exposures (30 June 2022: $1,443 million; 31 December 2021: $1,706 million). Stage 3 provisions for impairment include $712 million of collective provisions (30 June 2022: $760 million; 31 December 2021: $559 million) and $641 million of individually assessed provisions (30 June 2022: $736 million; 31 December 2021: $792 million).

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

ACCOUNTING POLICY

By providing loans to customers, the Group bears the risk that the future circumstances of customers might change, including their ability to repay their loans in part or in full. While the Group's credit and responsible lending policies aim to minimise this risk, there will always be instances where the Group will not receive the full amount owed and hence a provision for impairment is required.

A description of the key components of the Group's Expected Credit Loss (ECL) methodology is provided in Note 3.2 of the 2022 Annual Report.

Forward-looking information

The Group uses the following four alternative macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL for significant portfolios:

- **Central scenario:** This scenario is based on the Group's internal economic forecasts and market consensus as well as other assumptions used in business planning and forecasting.
- **Downside scenario:** This scenario contemplates the potential impact of possible, but less likely, adverse macroeconomic conditions, resulting from significant inflationary pressures exacerbated by supply chain disruptions, shortages of goods and labour, and heightened energy prices compounded by geopolitical risks.
- **Upside scenario:** This scenario is included to account for the potential impact of remote, more favourable macroeconomic conditions. Relative to the Central scenario, the Upside scenario features stronger growth in economic output, further improvement in labour market conditions and lower interest rates. In addition to this, the scenario features a stronger exchange rate, stronger housing market, business investment, disposable income and the share market.
- **Severe downside scenario:** This scenario contemplates the potentially severe impact of remote, extremely adverse macroeconomic conditions. Relative to the Downside scenario, this scenario features a sharper contraction with a slower recovery in economic output, heightened and prolonged weakness in the labour market, and more severe declines in house prices and the share market. In addition to this, the scenario features a more severe and prolonged contraction in business investment and a weaker exchange rate, while interest rates are reduced to accommodative levels.

The table below provides a summary of macroeconomic variables used in the Central and Downside scenarios as at 31 December 2022.

	Central Calendar year			Downside Calendar year		
	2023	2024	2025	2023	2024	2025
GDP	1. 6	1. 9	1. 9	(7. 8)	2. 0	2. 0
Unemployment rate (%) [1]	4. 0	4. 2	4. 2	9. 5	8. 9	7. 5
Cash rate (%) [1]	3. 60	2. 85	2. 85	4. 75	4. 75	4. 75
House prices (annual % change)	(10. 0)	3. 0	3. 0	(25. 0)	(5. 0)	–
Business investment (annual % change)	3. 5	2. 5	2. 5	(15. 0)	–	3. 0
AUD/USD exchange rate [1]	0. 62	0. 62	0. 62	0. 60	0. 60	0. 60
Trade Weighted Index (TWI)	58.0	58.0	58.0	56.0	56.0	56.0
Disposable income (annual % change)	0. 5	0. 5	0. 5	(4. 0)	(0. 5)	(2. 3)
ASX 200 (annual % change)	6. 5	7. 5	5. 1	(15. 0)	2. 5	1. 0
NZ unemployment rate (%) [1]	4. 8	5. 6	5. 6	9. 0	8. 0	7. 0
NZ cash rate (%) [1]	5. 50	5. 25	4. 50	6. 50	5. 75	5. 50
NZ house prices (annual % change)	(7. 3)	2. 0	6. 7	(20. 0)	(5. 0)	–

1 Spot rate at December each year, unless otherwise stated.

The requirement to probability-weight possible future outcomes captures the uncertainty inherent in the credit outlook, and changes in that uncertainty over time. Weights are assigned to each scenario based on management's best estimate of the proportion of potential future loss outcomes that each scenario represents. The same economic scenarios and probability weights apply across all portfolios. The following probability weights applied at 31 December 2022, 30 June 2022 and 31 December 2021:

	Combined Weighting		
	31 Dec 22	30 Jun 22	31 Dec 21
Central and Upside	52. 5%	52. 5%	57. 5%
Downside and Severe downside	47. 5%	47. 5%	42. 5%

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

The Group's Central scenario in the prior half year reflected broad consensus among economists about increased uncertainties due to new emerging risks relating to inflationary pressures, higher interest rates, supply chain disruptions and geopolitical issues. During the current half year, macroeconomic scenarios were revised for the current weaker economic conditions, including higher interest rates, slower growth and weaker house prices.

The Group's assessment of SICR also incorporates the impact of multiple probability-weighted future forecast economic scenarios on exposures' internal risk grades using the same four forecast macroeconomic scenarios as described above. There were no changes to scenario weights during the current period.

Incorporation of experienced credit judgement

Management exercises credit judgement in assessing if an exposure has experienced SICR and in determining the amount of impairment provisions at each reporting date. Where applicable, credit risk factors (PD and LGD) are adjusted upwards to incorporate reasonable and supportable forward looking information about known or expected risks for specific segments of portfolios that would otherwise not have been considered in the modelling process. Credit judgement is used to determine the degree of adjustment to be applied and considers information such as emerging risks at an industry, geographic and portfolio segment level.

The Group also applies overlays which are determined based on a range of techniques including stress testing, benchmarking, scenario analysis and expert judgement. Overlays are subject to internal governance and applied as an incremental ECL top-up amount to the impacted portfolio segments.

As at 31 December 2022, the Group held $493 million (30 June 2022: $571 million; 31 December 2021: $739 million) of overlays for emerging risks, including potential impacts of higher interest rates, declining house prices, supply chain disruptions and inflationary pressures. The overlays contain $57 million (30 June 2022: $87 million; 31 December 2021: $161 million) in relation to the Group's non-retail lending portfolio and $436 million (30 June 2022: $484 million; 31 December 2021: $578 million) in relation to retail portfolios.

The Group also applies overlays for model risk and other external factors that cannot be adequately accounted for through the ECL models.

Sensitivity of provisions for impairment to changes in forward looking assumptions

As described above, the Group applies four alternative macroeconomic scenarios (Central, Upside, Downside and Severe downside scenarios) to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL.

The table below provides approximate levels of provisions for impairment under the Central and Downside scenarios assuming 100% weighting was applied to each scenario and holding all other assumptions constant. As noted above, these scenarios and their associated weights have been selected based on the expected range of potential future loss outcomes.

	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M
Reported probability - weighted ECL	5,541	5,347	5,854
100% Central scenario	3,505	3,591	3,771
100% Downside scenario	6,872	6,117	7,425

Sensitivity of provisions for impairment to SICR assessment criteria

If 1% of Stage 1 credit exposures as at 31 December 2022 was included in Stage 2, provisions for impairment would increase by approximately $148 million (30 June 2022: $151 million; 31 December 2021: $146 million).

If 1% of Stage 2 credit exposures as at 31 December 2022 was included in Stage 1, provisions for impairment would decrease by approximately $22 million (30 June 2022: $23 million; 31 December 2021: $25 million).

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

Asset Quality

The tables below provide information about the credit quality of the Group's assets.

	As at 31 December 2022			
	Home Loans [1]	Other Personal [2]	Other Commercial Industrial	Total
	$M	$M	$M	$M
Loans which were neither past due nor impaired				
Investment Grade	360,191	5,328	121,774	**487,293**
Pass Grade	262,080	10,737	127,172	**399,989**
Weak	852	958	4,832	**6,642**
Total loans which were neither past due nor impaired	623,123	17,023	253,778	**893,924**
Loans which were past due but not impaired [3]				
Past due 1 - 29 days	8,183	330	1,986	**10,499**
Past due 30 - 59 days	1,448	100	236	**1,784**
Past due 60 - 89 days	668	57	146	**871**
Past due 90 - 179 days	932	–	120	**1,052**
Past due 180 days or more	1,322	–	395	**1,717**
Total loans past due but not impaired	12,553	487	2,883	**15,923**

1 APRA approved a revised residential mortgage PD model in the current period, which has led to movements in PD bands.

2 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

3 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

	As at 30 June 2022			
	Home Loans	Other Personal [1]	Other Commercial Industrial	Total
	$M	$M	$M	$M
Loans which were neither past due nor impaired				
Investment Grade	330,664	4,940	110,534	**446,138**
Pass Grade	272,620	10,566	130,100	**413,286**
Weak	4,459	929	3,623	**9,011**
Total loans which were neither past due nor impaired	607,743	16,435	244,257	**868,435**
Loans which were past due but not impaired [2]				
Past due 1 - 29 days	6,531	328	1,195	**8,054**
Past due 30 - 59 days	1,226	85	233	**1,544**
Past due 60 - 89 days	705	52	99	**856**
Past due 90 - 179 days	1,062	–	130	**1,192**
Past due 180 days or more	1,500	–	461	**1,961**
Total loans past due but not impaired	11,024	465	2,118	**13,607**

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2021			
	Home Loans	Other Personal [1]	Other Commercial Industrial	Total
	$M	$M	$M	$M
Loans which were neither past due nor impaired				
Investment Grade	327,399	4,770	97,871	**430,040**
Pass Grade	261,462	10,870	121,698	**394,030**
Weak	4,798	891	3,426	**9,115**
Total loans which were neither past due nor impaired	593,659	16,531	222,995	**833,185**
Loans which were past due but not impaired [2]				
Past due 1 - 29 days	6,657	356	1,137	**8,150**
Past due 30 - 59 days	1,348	95	183	**1,626**
Past due 60 - 89 days	629	51	113	**793**
Past due 90 - 179 days	972	–	233	**1,205**
Past due 180 days or more	1,631	–	509	**2,140**
Total loans past due but not impaired	11,237	502	2,175	**13,914**

1 Included in these balances are credit card facilities and other unsecured portfolio managed facilities up to 90 days past due. At 90 days past due all unsecured portfolio managed facilities are classified as impaired.

2 Includes assets in Stage 3 that have defaulted, but have not been classified as credit impaired as the loans are well secured and expected to be recovered.

The following tables provide information about the Group's impaired assets.

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Movement in gross impaired assets			
Gross impaired assets - opening balance	**2,951**	3,482	3,409
New and increased	**1,060**	907	1,285
Balances written off	**(395)**	(220)	(381)
Returned to performing or repaid	**(685)**	(1,329)	(937)
Portfolio managed - new/increased/return to performing/repaid	**105**	111	106
Gross impaired assets - closing balance [1,2]	**3,036**	2,951	3,482

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Impaired assets by size of asset			
Less than $1 million	**1,744**	1,737	1,869
$1 million to $10 million	**626**	623	721
Greater than $10 million	**666**	591	892
Gross impaired assets [1,2]	**3,036**	2,951	3,482
Less total provisions for impaired assets [3]	**(952)**	(1,023)	(1,047)
Net impaired assets	**2,084**	1,928	2,435

1 As at 31 December 2022, impaired assets included those assets in Stage 3 that are considered impaired, including $216 million of restructured assets (30 June 2022: $77 million; 31 December 2021: $215 million).

2 Includes $2,988 million of loans and advances and $48 million of other financial assets (30 June 2022: $2,921 million of loans and advances and $30 million of other financial assets; 31 December 2021: $3,410 million of loans and advances and $72 million of other financial assets).

3 Includes $641 million of individually assessed provisions and $311 million of collective provisions (30 June 2022: $736 million of individually assessed provisions and $287 million of collective provisions; 31 December 2021: $792 million of individually assessed provisions and $255 million of collective provisions).

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

Distribution of financial instruments by credit quality

The following tables provide information about the gross carrying amount of the Group's credit exposures by credit grade and ECL stage. For the definition of the Group's credit grades refer to Note 9.2 of the 2022 Annual Report.

	As at 31 December 2022			
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively & individually assessed $M	Total $M
Loans, bills discounted and other receivables				
Credit grade				
Investment	451,894	14,397	–	466,291
Pass	335,729	91,939	–	427,668
Weak	2,659	8,203	6,907	17,769
Gross carrying amount	**790,282**	**114,539**	**6,907**	**911,728**
Undrawn credit commitments				
Credit grade				
Investment	102,696	5,141	–	107,837
Pass	38,103	13,767	–	51,870
Weak	212	453	184	849
Total undrawn credit commitments	**141,011**	**19,361**	**184**	**160,556**
Total credit exposures	**931,293**	**133,900**	**7,091**	**1,072,284**
Impairment provision	**(1,713)**	**(2,342)**	**(1,349)**	**(5,404)**
Provisions to credit exposure, %	**0. 2**	**1. 7**	**19. 0**	**0. 5**
Financial guarantees and other off Balance Sheet instruments				
Credit grade				
Investment	11,145	1,147	–	12,292
Pass	3,828	4,733	–	8,561
Weak	46	223	163	432
Total financial guarantees and other off Balance Sheet instruments	**15,019**	**6,103**	**163**	**21,285**
Impairment provision	**(23)**	**(110)**	**(4)**	**(137)**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**2. 5**	**0. 6**
Total credit exposures				
Credit grade				
Investment	565,735	20,685	–	586,420
Pass	377,660	110,439	–	488,099
Weak	2,917	8,879	7,254	19,050
Total credit exposures	**946,312**	**140,003**	**7,254**	**1,093,569**
Total impairment provision	**(1,736)**	**(2,452)**	**(1,353)**	**(5,541)**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**18. 7**	**0. 5**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 59% of Stage 2 exposures as at 31 December 2022.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2022			
	Stage 1 collectively assessed	Stage 2 [1] collectively assessed	Stage 3 collectively & individually assessed	Total
	$M	$M	$M	$M
Retail secured				
Credit grade				
Investment	392,596	3,460	–	396,056
Pass	292,262	18,165	–	310,427
Weak	1,719	3,297	4,608	9,624
Total retail secured	**686,577**	**24,922**	**4,608**	**716,107**
Impairment provision	**(800)**	**(368)**	**(549)**	**(1,717)**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**11. 9**	**0. 2**
Retail unsecured				
Credit grade				
Investment	14,364	1,773	–	16,137
Pass	9,954	1,550	–	11,504
Weak	818	689	147	1,654
Total retail unsecured	**25,136**	**4,012**	**147**	**29,295**
Impairment provision	**(458)**	**(498)**	**(115)**	**(1,071)**
Provisions to credit exposure, %	**1. 8**	**12. 4**	**78. 2**	**3. 7**
Non-retail				
Credit grade				
Investment	158,775	15,452	–	174,227
Pass	75,444	90,724	–	166,168
Weak	380	4,893	2,499	7,772
Total non-retail	**234,599**	**111,069**	**2,499**	**348,167**
Impairment provision	**(478)**	**(1,586)**	**(689)**	**(2,753)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**27.6**	**0. 8**
Total credit exposures				
Credit grade				
Investment	565,735	20,685	–	586,420
Pass	377,660	110,439	–	488,099
Weak	2,917	8,879	7,254	19,050
Total credit exposures	**946,312**	**140,003**	**7,254**	**1,093,569**
Impairment provision	**(1,736)**	**(2,452)**	**(1,353)**	**(5,541)**
Provisions to credit exposure, %	**0. 2**	**1. 8**	**18. 7**	**0. 5**

1 The assessment of SICR includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risks at an industry, geographic location or particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 59% of Stage 2 exposures as at 31 December 2022.

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 30 June 2022			
	Stage 1 collectively assessed $M	Stage 2 [1] collectively assessed $M	Stage 3 collectively & individually assessed $M	Total $M
Loans, bills discounted and other receivables				
Credit grade				
Investment	431,913	15,875	–	447,788
Pass	327,519	91,912	–	419,431
Weak	2,799	6,845	7,221	16,865
Gross carrying amount	**762,231**	**114,632**	**7,221**	**884,084**
Undrawn credit commitments				
Credit grade				
Investment	100,114	6,161	–	106,275
Pass	39,282	14,355	–	53,637
Weak	225	348	104	677
Total undrawn credit commitments	**139,621**	**20,864**	**104**	**160,589**
Total credit exposures	**901,852**	**135,496**	**7,325**	**1,044,673**
Impairment provision	**(1,295)**	**(2,443)**	**(1,492)**	**(5,230)**
Provisions to credit exposure, %	**0. 1**	**1. 8**	**20. 4**	**0. 5**
Financial guarantees and other off Balance Sheet instruments				
Credit grade				
Investment	9,275	768	–	10,043
Pass	3,700	5,331	–	9,031
Weak	56	222	137	415
Total financial guarantees and other off Balance Sheet instruments	**13,031**	**6,321**	**137**	**19,489**
Impairment provision	**(18)**	**(95)**	**(4)**	**(117)**
Provisions to credit exposure, %	**0. 1**	**1. 5**	**2. 9**	**0. 6**
Total credit exposures				
Credit grade				
Investment	541,302	22,804	–	564,106
Pass	370,501	111,598	–	482,099
Weak	3,080	7,415	7,462	17,957
Total credit exposures	**914,883**	**141,817**	**7,462**	**1,064,162**
Total impairment provision	**(1,313)**	**(2,538)**	**(1,496)**	**(5,347)**
Provisions to credit exposure, %	**0. 1**	**1. 8**	**20. 0**	**0. 5**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures as at 30 June 2022.

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 30 June 2022			
	Stage 1 collectively assessed	Stage 2 [1] collectively assessed	Stage 3 collectively & individually assessed	Total
	$M	$M	$M	$M
Retail secured				
Credit grade				
Investment	392,973	2,948	–	395,921
Pass	283,279	16,364	–	299,643
Weak	1,692	3,216	4,898	9,806
Total retail secured	**677,944**	**22,528**	**4,898**	**705,370**
Impairment provision	**(361)**	**(527)**	**(569)**	**(1,457)**
Provisions to credit exposure, %	**0. 1**	**2. 3**	**11. 6**	**0. 2**
Retail unsecured				
Credit grade				
Investment	14,132	1,814	–	15,946
Pass	10,157	1,102	–	11,259
Weak	839	645	160	1,644
Total retail unsecured	**25,128**	**3,561**	**160**	**28,849**
Impairment provision	**(492)**	**(442)**	**(150)**	**(1,084)**
Provisions to credit exposure, %	**2. 0**	**12. 4**	**93. 8**	**3. 8**
Non-retail				
Credit grade				
Investment	134,197	18,042	–	152,239
Pass	77,065	94,132	–	171,197
Weak	549	3,554	2,404	6,507
Total non-retail	**211,811**	**115,728**	**2,404**	**329,943**
Impairment provision	**(460)**	**(1,569)**	**(777)**	**(2,806)**
Provisions to credit exposure, %	**0. 2**	**1. 4**	**32.3**	**0. 9**
Total credit exposures				
Credit grade				
Investment	541,302	22,804	–	564,106
Pass	370,501	111,598	–	482,099
Weak	3,080	7,415	7,462	17,957
Total credit exposures	**914,883**	**141,817**	**7,462**	**1,064,162**
Impairment provision	**(1,313)**	**(2,538)**	**(1,496)**	**(5,347)**
Provisions to credit exposure, %	**0. 1**	**1. 8**	**20. 0**	**0. 5**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 62% of Stage 2 credit exposures as at 30 June 2022.

Notes to the Financial Statements (continued)

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2021			
	Stage 1 collectively assessed	Stage 2 [1] collectively assessed	Stage 3 collectively & individually assessed	Total
	$M	$M	$M	$M
Loans, bills discounted and other receivables				
Credit grade				
Investment	414,589	19,494	–	434,083
Pass	301,224	96,887	–	398,111
Weak	2,847	7,703	6,960	17,510
Gross carrying amount	**718,660**	**124,084**	**6,960**	**849,704**
Undrawn credit commitments				
Credit grade				
Investment	102,397	6,718	–	109,115
Pass	43,968	13,474	–	57,442
Weak	224	364	93	681
Total undrawn credit commitments	**146,589**	**20,556**	**93**	**167,238**
Total credit exposures	**865,249**	**144,640**	**7,053**	**1,016,942**
Impairment provision	**(1,685)**	**(2,722)**	**(1,347)**	**(5,754)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**19. 1**	**0. 6**
Financial guarantees and other off Balance Sheet instruments				
Credit grade				
Investment	9,211	1,158	–	10,369
Pass	4,073	4,247	–	8,320
Weak	50	246	84	380
Total financial guarantees and other off Balance Sheet instruments	**13,334**	**5,651**	**84**	**19,069**
Impairment provision	**(23)**	**(73)**	**(4)**	**(100)**
Provisions to credit exposure, %	**0. 2**	**1. 3**	**4. 8**	**0. 5**
Total credit exposures				
Credit grade				
Investment	526,197	27,370	–	553,567
Pass	349,265	114,608	–	463,873
Weak	3,121	8,313	7,137	18,571
Total credit exposures	**878,583**	**150,291**	**7,137**	**1,036,011**
Total impairment provision	**(1,708)**	**(2,795)**	**(1,351)**	**(5,854)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**18. 9**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures as at 31 December 2021.

3.2 Loan Impairment Expense, Provisions for Impairment and Asset Quality (continued)

	As at 31 December 2021			
	Stage 1 collectively assessed	Stage 2 [1] collectively assessed	Stage 3 collectively & individually assessed	Total
	$M	$M	$M	$M
Retail secured				
Credit grade				
Investment	390,264	3,808	–	394,072
Pass	271,564	17,939	–	289,503
Weak	1,810	3,783	4,755	10,348
Total retail secured	**663,638**	**25,530**	**4,755**	**693,923**
Impairment provision	**(710)**	**(637)**	**(470)**	**(1,817)**
Provisions to credit exposure, %	**0. 1**	**2. 5**	**9. 9**	**0. 3**
Retail unsecured				
Credit grade				
Investment	14,095	1,197	–	15,292
Pass	10,692	1,444	–	12,136
Weak	741	695	142	1,578
Total retail unsecured	**25,528**	**3,336**	**142**	**29,006**
Impairment provision	**(534)**	**(644)**	**(122)**	**(1,300)**
Provisions to credit exposure, %	**2. 1**	**19. 3**	**85. 9**	**4. 5**
Non-retail				
Credit grade				
Investment	121,838	22,365	–	144,203
Pass	67,009	95,225	–	162,234
Weak	570	3,835	2,240	6,645
Total non-retail	**189,417**	**121,425**	**2,240**	**313,082**
Impairment provision	**(464)**	**(1,514)**	**(759)**	**(2,737)**
Provisions to credit exposure, %	**0. 2**	**1. 2**	**33. 9**	**0. 9**
Total credit exposures				
Credit grade				
Investment	526,197	27,370	–	553,567
Pass	349,265	114,608	–	463,873
Weak	3,121	8,313	7,137	18,571
Total credit exposures	**878,583**	**150,291**	**7,137**	**1,036,011**
Impairment provision	**(1,708)**	**(2,795)**	**(1,351)**	**(5,854)**
Provisions to credit exposure, %	**0. 2**	**1. 9**	**18. 9**	**0. 6**

1 The assessment of significant increase in credit risk includes the impact of forward looking multiple economic scenarios in addition to adjustments for emerging risk at an industry, geographic location or a particular portfolio segment level, which are calculated by stressing an exposure's internal credit rating grade at the reporting date. This accounts for approximately 65% of Stage 2 credit exposures as at 31 December 2021.

4. Our Deposits and Funding Activities

Overview

Stable and well diversified funding sources are critical to the Group's ability to fund its lending and investing activities, and support growing its business.

Our main sources of funding include customer deposits, term funds raised in domestic and offshore wholesale markets via issuing debt securities and loan capital, and term funding from central banks. The Group also relies on repurchase agreements as a source of short-term wholesale funding. Refer to Note 9.4 of the 2022 Annual Report for the Group's management of liquidity and funding risk.

4.1 Deposits and Other Public Borrowings

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Australia			
Certificates of deposit	**27,168**	27,081	30,471
Term deposits	**160,136**	131,155	119,273
On-demand and short-term deposits	**439,408**	440,500	420,717
Deposits not bearing interest	**120,719**	131,828	122,694
Securities sold under agreements to repurchase	**14,726**	14,097	12,744
Total Australia	**762,157**	744,661	705,899
New Zealand			
Certificates of deposit	**3,422**	2,606	2,709
Term deposits	**29,576**	23,956	23,901
On-demand and short-term deposits	**32,813**	34,189	36,551
Deposits not bearing interest	**11,278**	11,898	13,084
Securities sold under agreements to repurchase	**295**	–	–
Total New Zealand	**77,384**	72,649	76,245
Other Overseas			
Certificates of deposit	**15,587**	15,930	16,163
Term deposits	**5,366**	4,024	4,420
On-demand and short-term deposits	**1,115**	1,225	941
Deposits not bearing interest	**25**	30	43
Securities sold under agreements to repurchase	**17,518**	19,067	11,413
Total Other Overseas	**39,611**	40,276	32,980
Total deposits and other public borrowings	**879,152**	857,586	815,124

ACCOUNTING POLICY

Deposits from customers include certificates of deposit, term deposits, savings deposits and other demand deposits. Deposits are initially recognised at their fair value less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost. Interest incurred is recognised within net interest income using the effective interest method.

Securities sold under repurchase agreements are retained on the Balance Sheet where substantially all the risks and rewards of ownership remain with the Group. A liability for the agreed repurchase amount is recognised within Deposits and other public borrowings.

5. Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders' equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's shareholders' equity including changes during the period.

5.1 Shareholders' Equity

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Ordinary share capital			
Shares on issue:			
Opening balance	**36,608**	37,078	38,546
Share buy-backs [1, 2]	**(1,331)**	(470)	(1,467)
Dividend reinvestment plan (net of issue costs) [3]	**–**	–	(1)
	35,277	36,608	37,078
Less treasury shares:			
Opening balance	**(141)**	(129)	(126)
Purchase of treasury shares [4]	**(69)**	(15)	(61)
Sale and vesting of treasury shares [4]	**73**	3	58
Total treasury shares	**(137)**	(141)	(129)
Closing balance	**35,140**	36,467	36,949

Retained profits			
Opening balance	**36,826**	34,861	37,014
Actuarial (losses)/gains from defined benefit superannuation plans	**(20)**	52	24
Net profit attributable to equity holders of the Bank	**5,145**	4,901	5,870
Total available for appropriation	**41,951**	39,814	42,908
Transfers from asset revaluation reserve	**4**	(1)	26
Transfer from investment securities revaluation reserve	**–**	–	9
Off-market share buy-back - dividend component [1]	**–**	–	(4,534)
Interim dividend - cash component	**–**	(2,486)	–
Interim dividend - dividend reinvestment plan [3]	**–**	(501)	–
Final dividend - cash component	**(2,973)**	–	(2,978)
Final dividend - dividend reinvestment plan [3]	**(598)**	–	(570)
Closing Balance	**38,384**	36,826	34,861

1 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The Group recognised $1 million transaction costs in relation to the capital return. The shares bought back were subsequently cancelled.

2 On 9 February 2022, the Group announced the intention to conduct an on-market share buy-back of up to $2 billion. During the half year ended 30 June 2022, 4,853,197 ordinary shares were bought back at an average price of $96.42 ($468 million). During the half year ended 31 December 2022, an additional 13,124,237 ordinary shares were bought back at an average price of $101.33 per share ($1,330 million). The Group recognised transaction costs of $2 million during the half year ended 30 June 2022 and $1 million in the half year ended 31 December 2022 in relation to the capital returns. The shares bought back were subsequently cancelled.

3 The DRP in respect of the final 2021/2022, interim 2021/2022 and final 2020/2021 dividends were satisfied in full through the on-market purchase and transfer of 6,201,070 shares at $96.44, 5,107,902 shares at $97.95 and 5,618,474 shares at $101.00, respectively, to participating shareholders.

4 Relates to the movements in treasury shares held within the employee share scheme plans.

Notes to the Financial Statements (continued)

5.1 Shareholders' Equity (continued)

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Reserves			
Asset revaluation reserve			
Opening balance	**269**	243	264
Revaluation of properties	**–**	42	–
Transfer to retained profits	**(4)**	1	(26)
Income tax effect	**–**	(17)	5
Closing balance	**265**	269	243
Foreign currency translation reserve			
Opening balance	**17**	491	257
Currency translation adjustments of foreign operations	**352**	(508)	247
Currency translation of net investment hedge	**(59)**	7	2
Income tax effect	**2**	27	(15)
Closing balance	**312**	17	491
Cash flow hedge reserve			
Opening balance	**(859)**	(41)	467
Gains/(losses) on cash flow hedging instruments:			
Recognised in other comprehensive income	**(149)**	485	70
Transferred to Income Statement:			
Interest income	**773**	(785)	(994)
Interest expense	**(1,066)**	413	682
Other operating income	**(101)**	(1,289)	(480)
Income tax effect	**166**	358	214
Closing balance	**(1,236)**	(859)	(41)
Employee compensation reserve			
Opening balance	**94**	55	103
Current period movement	**(34)**	39	(48)
Closing balance	**60**	94	55
Investment securities revaluation reserve			
Opening balance	**19**	2,100	2,158
Transfer to retained profits on sale of equity securities	**–**	–	(9)
Net (losses)/gains on revaluation of investment securities	**(520)**	(2,814)	10
Net gains on investment securities transferred to Income Statement on disposal	**(17)**	(98)	(84)
Income tax effect	**131**	831	25
Closing balance	**(387)**	19	2,100
Total Reserves	**(986)**	(460)	2,848
Shareholders' Equity attributable to Equity holders of the Bank	**72,538**	72,833	74,658
Shareholders' Equity attributable to Non-controlling interests	**5**	5	5
Total Shareholders' Equity	**72,543**	72,838	74,663

Notes to the Financial Statements (continued)

5.1 Shareholders' Equity (continued)

ACCOUNTING POLICY

Shareholders' equity includes Ordinary share capital, Retained profits and Reserves. Policies for each component are set out below:

Ordinary share capital

Ordinary shares are recognised at the amount paid up per ordinary share, net of directly attributable issue costs. Where the Bank or entities within the Group purchase shares in the Bank, the consideration paid is deducted from total shareholders' equity and the shares are treated as treasury shares until they are subsequently sold, reissued or cancelled. Where such shares are sold or reissued, any consideration received is included in shareholders' equity.

Retained profits

Retained profits includes the accumulated profits for the Group including certain amounts recognised directly in retained profits less dividends paid.

Reserves

Asset revaluation reserve

The Asset revaluation reserve is used to record revaluation adjustments on the Group's property assets. Where an asset is sold or disposed of, any balance in the reserve in relation to the asset is transferred directly to Retained profits.

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign operations are accumulated in the Foreign currency translation reserve. Specifically, assets and liabilities are translated at the prevailing exchange rate at Balance Sheet date; revenue and expenses are translated at the transaction date; and all resulting exchange differences are recognised in the Foreign currency translation reserve.

When a foreign operation is disposed of, exchange differences are reclassified to the Income Statement.

Cash flow hedge reserve

The Cash flow hedge reserve is used to record fair value gains or losses associated with the effective portion of designated cash flow hedging instruments. Amounts are reclassified to the Income Statement when the hedged transaction impacts profit or loss.

Employee compensation reserve

The Employee compensation reserve is used to recognise the fair value of shares and other equity instruments issued to employees under the employee share plans and bonus schemes.

Investment securities revaluation reserve

The Investment securities revaluation reserve includes changes in the fair value of Investment securities measured at fair value through other comprehensive income. For debt securities, these changes are reclassified to the Income Statement when the asset is derecognised. For equity securities, these changes are not reclassified to the Income Statement when derecognised.

Notes to the Financial Statements (continued)

6. Fair Values

Overview

The Group holds a range of financial instruments as a result of its lending, investing and funding activities. Some of the financial instruments are actively traded on stock exchanges or in over-the-counter markets whilst others do not have liquid markets. This section provides information about fair values of the Group's financial instruments including a description of valuation methodologies used, the classification of financial instruments according to liquidity and the observability of inputs used in deriving the fair values.

6.1 Disclosures about Fair Values

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or amortised cost.

(a) Fair Value Information for Financial Instruments not measured at Fair Value

The estimated fair values of the Group's financial instruments not measured at fair value are presented below. Fair values of financial assets and liabilities not included in the table below approximate their carrying values.

Disclosures about Fair Value of Financial Instruments not measured at fair value

	31 Dec 22		30 Jun 22	
	Carrying value	Fair Value	Carrying value	Fair Value
	$M	$M	$M	$M
Financial assets				
Investment securities at amortised cost	**2,581**	**2,563**	3,217	3,195
Loans, bills discounted and other receivables	**906,324**	**897,753**	878,854	867,722
Financial liabilities				
Deposits and other public borrowings	**879,152**	**878,865**	857,586	857,308
Debt issues	**118,843**	**118,514**	116,902	117,005
Loan capital	**28,896**	**28,842**	28,017	27,785

(b) Fair Value Hierarchy for Financial Assets and Liabilities measured at Fair Value

The classification in the fair value hierarchy of the Group's financial assets and liabilities measured at fair value is presented in the table below. An explanation of how fair values are calculated and the levels in the fair value hierarchy are included in the accounting policy within this note.

	Fair Value as at 31 December 2022				Fair Value as at 30 June 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	$M	$M	$M	$M	$M	$M	$M	$M
Financial assets measured at fair value on a recurring basis								
Assets at fair value through Income Statement:								
Trading	10,319	6,811	47	**17,177**	9,922	5,359	42	15,323
Other	–	7,517	191	**7,708**	–	9,745	247	9,992
Derivative assets	162	29,410	96	**29,668**	331	35,331	74	35,736
Investment securities at fair value through other comprehensive income	65,918	13,702	582	**80,202**	64,249	14,221	616	79,086
Assets held for sale	–	–	–	**–**	218	202	–	420
Total financial assets measured at fair value	76,399	57,440	916	**134,755**	74,720	64,858	979	140,557
Financial liabilities measured at fair value on a recurring basis								
Liabilities at fair value through Income Statement	5,872	1,143	–	**7,015**	5,984	1,287	–	7,271
Derivative liabilities	65	33,034	95	**33,194**	7	33,757	135	33,899
Total financial liabilities measured at fair value	5,937	34,177	95	**40,209**	5,991	35,044	135	41,170

6.1 Disclosures about Fair Values (continued)

(c) Analysis of Movements between Fair Value Hierarchy Levels

During the half year ended 31 December 2022 there have been no reclassifications between Level 1 and Level 2.

The table below summarises movements in Level 3 balances during the half year. Transfers have been reflected as if they had taken place at the end of the reporting periods. Transfers in and out of Level 3 were due to changes in the observability of inputs.

Level 3 Movement Analysis for the half year ended 31 December 2022

	Financial Assets			Financial Liabilities
	Derivative Assets $M	Investment Securities at Fair Value through OCI $M	Assets at Fair Value through Income Statement $M	Derivative Liabilities $M
As at 30 June 2022	74	616	289	(135)
Purchases	4	70	41	(10)
Sales/Settlements	(19)	–	(34)	48
Gains/(losses) in the period:				
Recognised in the Income Statement	(1)	–	(58)	2
Recognised in the Statement of Comprehensive Income	(22)	(104)	–	–
Transfers in	60	–	–	–
Transfers out	–	–	–	–
As at 31 December 2022	96	582	238	(95)
Gains/(losses) recognised in the Income Statement for financial instruments held as at 31 December 2022	3	–	(58)	(27)

ACCOUNTING POLICY

Valuation

Fair value is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. On initial recognition, the transaction price generally represents the fair value of the financial instrument, unless there is observable information from an active market that provides a more appropriate fair value.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. Assets and long positions are measured at a quoted bid price. Liabilities and short positions are measured at a quoted asking price. Where the Group has positions with offsetting market risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate.

Non-market quoted financial instruments are mostly valued using valuation techniques based on observable inputs except where observable market data is unavailable. Where market data is unavailable the financial instrument is initially recognised at the transaction price, which is generally the best indicator of fair value. This may differ from the value obtained from the valuation model. The timing of the recognition in the Income Statement of this initial difference in fair value depends on the individual facts and circumstances of each transaction, but is never later than when the market data becomes observable. The difference may be either amortised over the life of the transaction, recognised when the inputs become observable or on derecognition of the instrument, as appropriate.

Notes to the Financial Statements (continued)

6.1 Disclosures about Fair Values (continued)

ACCOUNTING POLICY (continued)

The fair value of Over-the-Counter (OTC) derivatives includes Credit Valuation Adjustments (CVA) for derivative assets to reflect the credit worthiness of the counterparty. The fair value of uncollateralised derivative assets and uncollateralised derivative liabilities incorporates Funding Valuation Adjustments (FVA) to reflect funding costs and benefits to the Group. These adjustments are applied after considering any relevant collateral or master netting arrangements.

Fair value hierarchy

The Group utilises various valuation techniques and applies a hierarchy for valuation inputs that maximise the use of observable market data, if available.

Under AASB 13 *Fair Value Measurement* all financial and non-financial assets and liabilities measured or disclosed at fair value are categorised into one of the following three fair value hierarchy levels:

Quoted prices in active markets – Level 1

This category includes assets and liabilities for which the valuation is determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted price is readily available, and the price represents actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

Financial instruments included in this category are liquid government bonds, listed equities and exchange traded derivatives.

Valuation technique using observable inputs – Level 2

This category includes assets and liabilities that have been valued using inputs other than quoted prices as described for Level 1, but which are observable for the asset or liability, either directly or indirectly. The valuation techniques include the use of discounted cash flow analysis, option pricing models and other market accepted valuation models.

Financial instruments included in this category are financial institution and corporate bonds, certificates of deposit, bank bills, commercial papers, mortgage-backed securities and OTC derivatives including interest rate swaps, cross currency swaps and FX options.

Valuation technique using significant unobservable inputs – Level 3

This category includes assets and liabilities where the valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Unobservable inputs are those not readily available in an active market due to market illiquidity or complexity of the product. These inputs are generally derived and extrapolated from observable inputs to match the risk profile of the financial instrument, and are calibrated against current market assumptions, historic transactions and economic models, where available. These inputs may include the timing and amount of future cash flows, rates of estimated credit losses, discount rates and volatility. Financial instruments included in this category for the Group are certain exotic OTC derivatives and unlisted equity instruments.

As at 31 December 2022, the Group held an unlisted equity investment in Klarna Bank AB (Klarna) measured on a recurring basis at fair value through other comprehensive income of $402 million (30 June 2022: $408 million, 31 December 2021: $2,481 million). The valuation of the investment as at 31 December 2022 was based on a methodology leveraging revenue multiples of market listed comparable companies. Comparable listed companies were included based on industry, size, developmental stage and/or strategy. A revenue multiple was derived for each comparable company identified and then discounted for considerations such as illiquidity. The Group adopted an adjusted revenue multiple of 3.9x in its valuation as at 31 December 2022.

The valuation of the investment as at 30 June 2022 was based on a private equity capital raise executed by the entity close to the balance sheet date. The methodology leveraged inputs relating to a private equity capital raise executed by Klarna on 11 July 2022, in which CBA participated. The revenue multiple implied in the price of the capital raise was 4.1x.

Critical accounting judgements and estimates

Valuation techniques are used to estimate the fair value of securities. When using valuation techniques the Group makes maximum use of market inputs and relies as little as possible on entity specific inputs. It incorporates all factors that the Group believes market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Data inputs that the Group relies upon when valuing debt financial instruments relate to counterparty credit risk, volatility, correlation and extrapolation.

Periodically, the Group calibrates its valuation techniques and tests them for validity using prices from any observable current market transaction in the same instruments (i.e. without modification or repackaging) and any other available observable market data.

7. Other Information

7.1 Contingent Liabilities, Contingent Assets and Commitments arising from the banking business

Details of contingent liabilities and off Balance Sheet instruments are presented below and in Note 7.2, in relation to litigation, investigations and reviews. The face value represents the maximum amount that could be lost if the counterparty fails to meet its financial obligations. The credit equivalent amounts are a measure of potential loss to the Group in the event of non-performance by the counterparty. The credit commitments shown in the table below also constitute contingent assets. These commitments would be classified as loans and other receivables in the Balance Sheet should they be drawn upon by the customer.

	Face Value		Credit Equivalent	
	31 Dec 22	30 Jun 22	**31 Dec 22**	30 Jun 22
Credit risk related instruments	**$M**	$M	**$M**	$M
Financial guarantees	**6,286**	5,750	**4,542**	4,124
Performance related contingencies	**6,393**	5,932	**3,197**	2,966
Commitments to provide credit	**192,221**	187,419	**179,923**	173,480
Other commitments	**1,739**	1,429	**1,736**	1,423
Total credit risk related instruments	**206,639**	200,530	**189,398**	181,993

ACCOUNTING POLICY

The types of instruments included in this category are:

Financial guarantees are unconditional undertakings given to support the obligations of a customer to third parties. They include documentary letters of credit which are undertakings by the Group to pay or accept drafts drawn by a supplier of goods against presentation of documents in the event of payment default by a customer. Financial guarantees are recognised within other liabilities and are initially measured at their fair value, equal to the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Income Statement and the expected credit losses. Any increase in the liability relating to financial guarantees is recorded in the Income Statement. The premium received is recognised in the Income Statement in other operating income on a straight-line basis over the life of the guarantee.

Performance related contingencies are undertakings that oblige the Group to pay third parties should a customer fail to fulfil a contractual non-monetary obligation. Performance related contingencies are performance guarantees and do not meet the definition of a financial guarantee. Performance guarantees are recognised when it is probable that an obligation has arisen. The amount of any provision is the best estimate of the amount required to fulfil the obligation.

Commitments to provide credit include obligations on the part of the Group to provide credit facilities against which clients can borrow money under defined terms and conditions. Such loan commitments are made either for a fixed period, or are cancellable by the Group subject to notice conditions. As facilities may expire without being drawn upon, the notional amounts do not necessarily reflect future cash requirements. Loan commitments must be measured with reference to expected credit losses required to be recognised. In the case of undrawn loan commitments, the inherent credit risk is managed and monitored by the Group together with the drawn component as a single credit exposure. The exposure at default on the entire facility is used to calculate the cumulative expected credit losses.

Other commitments to provide credit include commitments with certain drawdowns, standby letters of credit and bill endorsements. The details of the Group's accounting policies and critical judgements and estimates involved in calculating impairment provisions are provided in Note 3.2.

Notes to the Financial Statements (continued)

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters

Customer remediation

Provisions for customer remediation require significant levels of estimation and judgement. The amount raised depends on a number of different assumptions, such as the number of years impacted, the forecast refund rate and the average cost per case. The Group is committed to comprehensively and efficiently addressing the full range of remediation issues impacting customers of the Banking and former Wealth Management businesses. Significant resources have been committed to a comprehensive program of work, to ensure that all issues are identified and addressed.

Aligned Advice remediation – ongoing service fees

Aligned advisers were not employed by the Group but were representatives authorised to provide financial advice under the licences of the Group's subsidiaries, Financial Wisdom Limited (FWL), Count Financial Limited (Count Financial) and Commonwealth Financial Planning Limited-Pathways (CFP-Pathways). The Group completed the sale of Count Financial to CountPlus Limited (CountPlus) on 1 October 2019, and ceased providing licensee services through CFP-Pathways and Financial Wisdom in March and June 2020, respectively. The Bank entered into reimbursement agreements with Financial Wisdom and CFP-Pathways, and an indemnity deed with CountPlus, to cover potential remediation of past issues including ongoing service fees charged where no service was provided. As at 31 December 2022, the Bank had an Indemnity Deed with CountPlus with a $520 million limit (30 June 2022: $300 million, 31 December 2021: $300 million), to cover remediation of past conduct in relation to Count Financial.

During the half year ended 31 December 2022, the Group recognised an increase in the provision for Aligned Advice remediation issues and program costs of $198 million, including ongoing service fees charged where no service was provided. In addition, the Group paid $576 million customer refunds and utilised $69 million of program costs during the half year ended 31 December 2022.

As at 31 December 2022, the provision held by the Group in relation to Aligned Advice remediation was $447 million (30 June 2022: $894 million; 31 December 2021: $992 million). The provision includes $194 million for customer fee refunds (30 June 2022: $446 million; 31 December 2021: $479 million), $206 million for interest on fees subject to refunds (30 June 2022: $367 million; 31 December 2021: $410 million) and $47 million for costs to implement the remediation program (30 June 2022: $81 million; 31 December 2021: $103 million).

As at 31 December 2022, the Group had materially completed all case assessments. Consequently, an increase/(decrease) in the refund rate by 1% would result in an increase/(decrease) in the provision by approximately $3 million (30 June 2022: $20 million; 31 December 2021: $20 million). The Group continues to engage with ASIC in relation to closing this remediation program.

Banking and other Wealth customer remediation

As at 31 December 2022, the provision held by the Group in relation to Banking and other Wealth Management customer remediation programs was $174 million (30 June 2022: $174 million; 31 December 2021: $180 million). The provision for Banking remediation includes an estimate of customer refunds (including interest) relating to business and retail banking products (including bank guarantees, merchants billing and certain other products), and the related program costs. The wealth remediation provision includes an estimate of customer refunds (including interest) relating to advice quality, certain superannuation and other products, and the related program costs.

Litigation, investigations and reviews

The Group is party to a number of legal proceedings, and the subject of various investigations and reviews. Provisions have been raised in accordance with the principles outlined in Note 7.1 of the 2022 Annual Report.

Litigation

The main litigated claims against the Group as at 31 December 2022 are summarised below.

Bankwest class actions

In 2016, class action proceedings were filed against CBA in the Supreme Court of NSW. The plaintiffs allege that in the period from 19 December 2008 to 1 October 2012, following the acquisition of Bankwest from HBOS in 2008, Bankwest implemented a system (involving a review of loan files) to enable it to identify, remove and write-off commercial loans, notwithstanding that the loans were performing loans at the time. This is alleged to have amounted to unconscionable conduct and breach of contract (including of the Code of Banking Practice).

CBA denies the allegations made against it and is defending the proceedings.

A mediation is scheduled to take place on 15 March 2023 and a trial is set to commence on 22 May 2023.

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of the claim.

Shareholder class actions

In October 2017 and June 2018, two separate shareholder class action proceedings were filed against CBA in the Federal Court of Australia, alleging breaches of CBA's continuous disclosure obligations and misleading and deceptive conduct in relation to the subject matter of the civil penalty proceedings brought against CBA by the Australian Transaction Reports and Analysis Centre (AUSTRAC). The AUSTRAC proceedings concerned contraventions of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

The resolution of the AUSTRAC civil penalty proceedings was approved by the Federal Court on 20 June 2018 with CBA paying a penalty of $700 million and legal costs. It is alleged in the class actions that CBA shareholders who acquired an interest in CBA shares between 16 June 2014 and 3 August 2017 suffered losses as a result of the alleged conduct. The two class actions are being case managed together, with a single harmonised statement of claim. CBA denies the allegations made against it, and is defending the proceedings. A trial took place in November and December 2022 and judgment is reserved. It is currently not possible to determine the ultimate impact of these claims, if any, on the Group.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Superannuation class actions

The Group is also defending three class action claims in relation to superannuation products.

On 9 October 2018, a class action was filed against Colonial First State Investments Limited (CFSIL) and CBA in the Federal Court of Australia. The claim initially related to investment in cash and deposit options (which are cash and deposit products provided by CBA) in the Colonial First State First Choice Superannuation Trust (FirstChoice Fund) and Commonwealth Essential Super and later expanded to join Avanteos Investments Limited (AIL) as a party in respect of claims regarding the FirstWrap Pooled Cash Account.

The main claims are that members that invested in these cash and deposit options received lower interest rates than they could have received had CFSIL/AIL offered similar products made available in the market by another bank with comparable risk and that CFSIL/AIL retained the margin that arises through the internal transfer pricing process in respect of deposits made with CBA, for their own benefit. It is claimed CFSIL/AIL breached their duties as a trustee of the funds, CFSIL breached its duties as a Responsible Entity of the underlying managed investment schemes and that CBA was involved in CFSIL/AIL's breaches. CBA, CFSIL and AIL deny the allegations and are defending the proceedings. The Court has ordered that mediation occur by 13 October 2023.

On 18 October 2019, a second class action was commenced against CFSIL in the Federal Court of Australia. The claim relates to certain fees charged to members of the FirstChoice Fund. It is alleged that CFSIL breached its duties as trustee and acted unconscionably because it failed, between 2013 and 2019, to take steps to avoid the payment of grandfathered commissions to financial advisers, which would have resulted in a reduction of the fees paid by members in respect of whom those commissions were paid. CFSIL denies the allegations and is defending the proceedings. Mediation in this matter is likely in the second quarter of 2023 and a trial is set to commence on 7 August 2023.

On 22 January 2020, a further class action was filed against CFSIL and The Colonial Mutual Life Assurance Society Limited (CMLA) in the Federal Court of Australia. On 22 October 2021, AIA Australia Limited (AIAA), who from 1 April 2021 was liable for and assumed certain liabilities of CMLA under a life insurance scheme pursuant to Part 9 of the Life Insurance Act 1995 (Cth) (Part 9 Scheme), was joined as a third respondent to the class action. The class action alleges that CFSIL did not act in the best interests of members and breached its trustee duties when taking out group insurance policies obtained from CMLA. The key allegation is that CFSIL entered into and maintained insurance policies with CMLA on terms that were less favourable to members than would have reasonably been available in the market. It is alleged that CMLA was knowingly involved in CFSIL's contraventions as trustee and profited from those contraventions. CFSIL, CMLA and AIAA deny the allegations and are defending the proceedings.

On 1 December 2021, the Group completed the sale of a 55% interest in Colonial First State (CFS) to KKR. CBA has assumed carriage of the superannuation class actions proceedings on CFSIL's and AIL's behalf subject to the terms of a conduct indemnity deed between CBA, CFSIL and AIL. The Group has provided for certain legal and other costs associated with its obligations under the indemnity deed.

Advice class actions

On 21 August 2020, a class action was filed in the Federal Court of Australia against Commonwealth Financial Planning Limited (CFP), FWL and CMLA. The claim relates to certain CommInsure (CMLA) life insurance policies recommended by financial advisers appointed by CFP and FWL during the period from 21 August 2014 to 21 August 2020. On 16 November 2021, AIAA (who from 1 April 2021 was liable for and assumed certain liabilities of CMLA under the Part 9 Scheme) was joined as a fourth respondent to the class action. The key allegations include that CFP and FWL or their financial advisers breached their fiduciary duties to their clients, breached their duty to act in the best interest of their clients, and had prioritised their own interests (and the interests of CFP, FWL and CMLA) over the interest of their clients, in recommending certain CMLA life insurance policies in preference to substantially equivalent or better policies available at lower premiums from third party insurers. It is also alleged that CMLA knew the material facts giving rise to the breaches of fiduciary duty. CFP, FWL, CMLA and AIAA deny the allegations and are defending the proceedings.

On 24 August 2020 a class action was commenced against Count Financial in the Federal Court of Australia. The proceeding relates to commissions paid to Count Financial and its authorised representative financial advisers in respect of financial products (including insurance) and certain obligations of its financial advisers to provide ongoing advice in the period from 21 August 2014 to 21 August 2020. The claim also includes allegations (related to the receipt of commissions) that Count Financial engaged in misleading or deceptive conduct, and that Count Financial and its authorised representatives breached fiduciary duties owed to the applicant and group members. The claim seeks compensation and damages from Count Financial, including any profits resulting from the contraventions. A trial date is fixed for March 2024.

Count Financial was a wholly owned subsidiary of CBA until 1 October 2019, when it was acquired by CountPlus Limited. CBA has assumed the conduct of the defence in this matter on Count Financial's behalf. Count Financial denies the allegations made against it and is defending the proceedings.

It is currently not possible to determine the ultimate impact of these claims, if any, on the Group. The Group has provided for legal costs expected to be incurred in the defence of these claims.

US BBSW class action

In 2016, a class action was commenced in the United States District Court in New York against CBA, other banks and two brokers, claiming a conspiracy among competitors to manipulate the BBSW benchmark for mutual gain. The claims include allegations that United States racketeering and antitrust legislation have been contravened.

On 11 December 2021, CBA entered into a settlement agreement with the plaintiffs to settle the action. The settlement was made without admission of liability and was subject to Court approval. The Court approved the settlement at the final approval hearing which took place on 1 November 2022.

Notes to the Financial Statements (continued)

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Consumer credit insurance (CCI) class action

On 10 June 2020, a class action was commenced against CBA and CMLA in the Federal Court of Australia. The claim relates to consumer credit insurance for credit cards and personal loans that was sold between 1 January 2010 and 7 March 2018. On 1 April 2022, AIAA (who from 1 April 2021 was liable for and assumed certain liabilities of CMLA under the Part 9 Scheme) was joined as a third respondent to the class action. The class action alleges that CBA and CMLA engaged in unconscionable and misleading or deceptive conduct, failed to act in the best interests of customers and provided them with inappropriate advice. In particular, it is alleged that some customers were excluded from claiming certain benefits under the policies and the insurance was therefore unsuitable or of no value. Allegations are also made in relation to the manner in which the insurance was sold. CBA, CMLA and AIAA deny the allegations.

On 18 October 2022, the parties attended a Court ordered mediation following which they entered into a settlement agreement to resolve the proceedings. The settlement was made without admission of liability and is subject to Court approval.

The Group has provided for the legal costs expected to be incurred in this matter and the agreed settlement amount.

ASB class action

Proceedings were served on CBA subsidiary ASB Bank Limited (ASB) on 29 September 2021 by plaintiffs seeking to bring a representative action on behalf of a class of plaintiffs against ASB in the High Court of New Zealand, Auckland Registry. These proceedings relate to ASB's variation disclosure obligations under the Credit Contracts and Consumer Finance Act 2003.

On 29 July 2022, the Court granted leave for the plaintiffs to bring the action against ASB as an opt out representative action on behalf of a class, being customers who had a home or personal loan with ASB between 6 June 2015 and 18 June 2019 and who requested a variation to such loan during such time period. ASB is appealing the Court's decision. That class and the breaches alleged are not confined to those referred to in ASB's settlement with the Commerce Commission dated 23 February 2021. Refer to the New Zealand's Exchange (NZX) Release titled 'ASB acknowledges High Court proceedings' dated 30 September 2021 (https://www.nzx.com/announcements/380068) for further information. The plaintiffs are seeking a range of relief including that ASB is not entitled to retain costs of borrowing (interest and fees) for the period during which the plaintiffs allege that ASB did not provide, and has not subsequently, provided requisite variation disclosure under the Act. ASB is defending the proceedings.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group. The Group has provided for current legal costs expected to be incurred in the defence of this claim.

Regulatory enforcement proceedings

Commonwealth Essential Super proceedings

On 22 June 2020, the Australian Securities and Investments Commission (ASIC) commenced civil penalty proceedings against CFSIL and CBA in the Federal Court of Australia for alleged contraventions of the conflicted remuneration provisions in the Corporations Act relating to the arrangement between CFSIL and CBA for the distribution of Commonwealth Essential Super. Commonwealth Essential Super is a MySuper product issued by CFSIL.

CBA and CFSIL deny the allegations and are defending the proceedings. On 29 September 2022, the Federal Court of Australia dismissed ASIC's proceedings, finding that the payments made under the distribution arrangement were not conflicted remuneration. On 26 October 2022, ASIC served a Notice of Appeal indicating that ASIC is appealing the Federal Court's decision to dismiss the proceedings. The appeal has been set down for hearing in February 2023.

It is currently not possible to determine the ultimate impact of this claim, if any, on the Group.

Monthly Account Fees proceedings

On 31 March 2021, ASIC commenced proceedings against CBA in the Federal Court of Australia. The proceedings related to errors by CBA between 1 June 2010 and 11 September 2019 where monthly account fee waivers were not applied to accounts for certain customers. ASIC alleged contraventions of certain misleading and deceptive conduct provisions of the ASIC Act and breaches of the general obligations under the Corporations Act. The hearing on the question of liability concluded on 11 October 2022. On 29 November 2022, the Federal Court of Australia dismissed ASIC's allegations and the relief sought. ASIC was ordered to pay CBA's costs.

CCI proceedings

On 16 September 2021, ASIC commenced criminal proceedings against CBA in the Federal Court of Australia.

A sentencing hearing was held on 29 October 2021 where CBA pleaded guilty to the 30 charges relating to false or misleading representations made to 165 customers from 2011 to 2015 in contravention of the ASIC Act when CBA did not adequately disclose to those customers at the point of sale that they were not eligible for certain benefits under the CCI policies because of their employment status. In December 2022 the Court dismissed the proceedings due to the effect of a limitation period. This followed on from the decision of the Full Federal Court in proceedings against another financial institution that the offences brought against it were statute barred and could not proceed. This brings these regulatory proceedings to a close and no outcome in relation to the proceedings will be recorded against CBA.

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Fair Work Ombudsman (FWO) proceedings

In October 2021, the Fair Work Ombudsman (FWO) commenced civil penalty proceedings in the Federal Court of Australia against CBA and CommSec, alleging contraventions of the Fair Work Act 2009 (Cth) (Fair Work Act). The proceedings follow an investigation by FWO of the Group's employee entitlement review (EER) and potential breaches by CBA and its related entities, including CommSec, of the Group's current and previous enterprise agreements and of the Fair Work Act. CBA self-disclosed these matters in the EER to the FWO.

CBA and CommSec have cooperated fully with the FWO's investigation. It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

CBA's broad remediation review of employee entitlements for current and former employees is complete. Ongoing remediation will be carried out under "business as usual" processes.

Long Service Leave (LSL) proceedings

In August 2022, the Wage Inspectorate Victoria commenced criminal proceedings against each of CommSec and BWA Group Services Pty Ltd (BWA) in the Magistrates' Court of Victoria. The proceedings relate to alleged underpayments of approximately $70,000 in long service leave (LSL) entitlements for 20 former employees of those entities (8 CommSec and 12 BWA), and alleged non-compliance with a regulatory notice. LSL underpayments are included in the Group's EER described above. It is currently not possible to determine the ultimate impact of this claim on the Group. The Group has provided for legal costs expected to be incurred in relation to this matter.

Ongoing regulatory investigations and reviews

The Group undertakes ongoing compliance activities, including breach reporting, reviews of products, advice, conduct and services provided to customers, as well as interest, fees and premiums charged. Some of these activities have resulted in remediation programs and where required the Group consults with the relevant regulator on the proposed remediation action.

Provisions have been recognised by the Group where the criteria outlined in the accounting policy section of this note are satisfied. Contingent liabilities exist with respect to these matters where it is not possible to determine the extent of any obligation to remediate or the potential liability cannot be reliably estimated.

There are also ongoing matters where regulators are investigating whether CBA or a Group entity has breached laws or regulatory obligations. Where a breach has occurred, regulators may impose, or apply to a Court for, fines and/or other sanctions. These matters include investigations of a number of issues which were notified to, or identified by, regulators.

In addition to possible regulatory actions and reviews, there may also be financial exposure to claims by customers, third parties and shareholders and this could include further class actions, customer remediation or claims for compensation or other remedies. The outcomes and total costs associated with such regulatory actions and reviews, and possible claims remain uncertain.

Other regulatory matters

The following matters were significant regulatory investigations and reviews, which have been completed, but have resulted in ongoing action required by the Group.

Enforceable undertaking to ASIC (foreign exchange)

In December 2016, CBA provided an enforceable undertaking (EU) to ASIC arising from an investigation into wholesale spot foreign exchange (FX) trading between 2008 and 2013. ASIC accepted a variation to the EU on 16 October 2020. The EU included the engagement of an independent expert, to review and assess the changes we have made to our trading operating model in recent years, including in training, procedures and oversight.

The EU also included a voluntary contribution of $2.5 million to support the further development of financial literacy education relating to changes to delivery of care in the aged care sector. CBA continues to implement the terms of the varied EU.

Prudential inquiry into CBA and enforceable undertaking to APRA

On 28 August 2017, APRA announced it would establish an independent prudential inquiry (the Inquiry) into the Group focusing on the governance, culture and accountability frameworks and practices within the Group. The final report of the Inquiry was released on 1 May 2018 (the Final Report). The Final Report made a number of findings regarding the complex interplay of organisational and cultural factors within the Group and the need for enhanced management of non-financial risks.

In response to the Final Report, the Group acknowledged that it would implement all of the recommendations and agreed to adjust its minimum operational risk capital requirements by an additional $1 billion (an impact to risk weighted assets of $12.5 billion) until such time as the recommendations are implemented to APRA's satisfaction.

CBA entered into an EU under which CBA's remedial action (Remedial Action Plan) in response to the Final Report was agreed and monitored regularly by APRA. The Remedial Action Plan provided a detailed program of change outlining how CBA would improve the way it runs its business, manages risk, and works with regulators. The Remedial Action Plan also provided a comprehensive assurance framework, with Promontory Australasia (Sydney) Pty Ltd (Promontory) having been appointed as the independent reviewer, which was required to report to APRA on the Group's progress against committed milestones quarterly.

On 20 November 2020, APRA reduced the operational risk capital overlay imposed on CBA from $1 billion to $500 million. On 12 October 2021 CBA released the thirteenth and final Promontory report. Promontory noted that as at September 2021 all milestones had been assessed as complete and effective and all recommendations closed.

Notes to the Financial Statements (continued)

7.2 Customer Remediation, Litigation, Investigations and reviews, other matters (continued)

Effective 30 September 2022, APRA announced CBA has met its obligations under the EU and released the remaining operational risk capital overlay of $500 million imposed on CBA. CBA is committed to ensuring the improvements made to governance, culture and accountabilities are continuously improved and sustained.

Financial crime compliance

As noted above, in 2018 the Group resolved the AUSTRAC proceedings relating to contraventions of anti-money laundering/counter-terrorism financing (AML/CTF) laws. CBA continues to address the underlying causes of the Anti-Money Laundering and Counter-Terrorism Financing Act (AML/CTF Act) failings that resulted in AUSTRAC commencing its proceedings.

Recognising the crucial role that the Group plays in fighting financial crime, it continues to invest significantly in its financial crime capabilities, including in its central AML/CTF Compliance team, its business unit-led risk teams, regulatory and control operations team and through the Program of Action with coverage across all aspects of financial crime (including AML/CTF, sanctions and anti-bribery and corruption).

The Group provides updates to AUSTRAC on its Anti-Money Laundering and Counter-Terrorism Financing Program and related enhancements and remediation activities.

However, there is no assurance that AUSTRAC or the Group's other regulators will agree that the Group's enhancements to its financial crime compliance capabilities, including through the multi-year Program of Action, are adequate or will effectively enhance the Group's financial crime compliance programs across its business units and the jurisdictions in which it operates. Although the Group is not currently aware of any other enforcement action by other domestic or foreign regulators in respect of its financial crime compliance, the Group regularly engages with such regulators (including in respect of compliance matters) and there can be no assurance that the Group will not be subject to such enforcement actions in the future.

Enforceable undertaking to ASIC (BBSW)

On 21 June 2018, the Federal Court approved an agreement between CBA and ASIC to resolve proceedings concerning alleged market manipulation and unconscionable conduct in respect of the bank bill market. CBA paid a civil penalty of $5 million and a community benefit payment of $15 million to Financial Literacy Australia. It also agreed to pay ASIC's costs of the investigation and legal costs. The Group provided for these costs in an earlier period.

As part of the settlement CBA also entered into an EU with ASIC under which CBA undertook to engage an independent expert to assess changes it has made (and will make) to its policies, procedures, controls systems, training, guidance and framework for the monitoring and supervision of employees and trading in Prime Bank Bills and CBA's BBSW-referenced product businesses. CBA has developed and implemented an enhanced control framework as part of this program of work. CBA continues to implement the terms of the EU.

Enforceable undertaking to the Office of Australian Information Commissioner (OAIC)

In June 2019, the Australian Information and Privacy Commissioner (Commissioner) accepted an EU offered by CBA, which requires further enhancements to the management and retention of customer personal information within CBA and certain subsidiaries.

The EU follows CBA's work to address two incidents: one relating to the disposal by a third party of magnetic data tapes containing historical customer statements and the other relating to potential unauthorised internal user access to certain systems and applications containing customer personal information. CBA reported the incidents to the Commissioner in 2016 and 2018 respectively and has since addressed these incidents. CBA found no evidence that as a result of these incidents, its customers' personal information was compromised or that there have been any instances of unauthorised access by CBA employees or third parties.

The Group has provided for certain costs associated with implementation and compliance with the EU provided to the Commissioner.

CommSec Compliance Program

On 25 October 2022, the Federal Court of Australia handed down its decision in proceedings which ASIC commenced against Commonwealth Securities Limited (CommSec) in March 2021. CommSec did not defend the proceedings. In addition to ordering a penalty of $20 million, the Federal Court ordered CommSec to undertake a compliance program (the terms of which were agreed with ASIC at the commencement of proceedings). The program requires CommSec to appoint an independent expert to review the adequacy and effectiveness of its remediation of the issues in the proceedings and their root causes, as well as the adequacy and effectiveness of its systems and controls. Once the independent expert is appointed, the program contemplates that an initial review by the independent expert be completed within 4 months, unless otherwise agreed with ASIC, CommSec is required to address any recommendations of the independent expert arising from the initial review. The compliance program contemplates a potential further review by the independent expert of CommSec's response to the recommendations, depending on the outcome of the initial review.

Other matters

Exposures to divested businesses

The Group has potential exposures to divested businesses, including through the provision of services, warranties and indemnities. These exposures may have an adverse impact on the Group's financial performance and position. The Group has recognised provisions where payments in relation to the exposures are probable and reliably measurable.

7.3 Discontinued Operations and Businesses Held for Sale

The Group continues to deliver on its strategic priority to create simpler, better foundations through divestments of wealth management and other non-core businesses. A summary of divestments completed during the half years ended 31 December 2022, 30 June 2022 and 31 December 2021 are set out below.

Commonwealth Financial Planning

On 28 July 2021, the Group entered into an agreement with AIA Australia for a partial transfer of the Commonwealth Financial Planning (CFP) business to AIA Financial Services Limited. The transaction completed on 30 November 2021. On 26 October 2021, the Group announced the closure of the remaining CFP business effective from 30 November 2021. During the half year ended 31 December 2021, the Group recognised a post-tax loss of $73 million mainly related to the write-down of customer receivables and the provision for employee redundancy payments.

Colonial First State

On 13 May 2020, the Group entered into an agreement to sell a 55% interest in Colonial First State (CFS) to KKR. The sale completed on 1 December 2021, resulting in a total post-tax gain of $840 million (net of transaction and separation costs). Post-tax transaction and separation costs of $47 million and $137 million were recognised during the years ended 30 June 2021 and 30 June 2020. The Group has retained a 45% interest in the parent entity of the CFS business, Superannuation and Investments HoldCo Pty Limited, which is accounted for as an investment in a joint venture.

Bank of Hangzhou

On 1 March 2022, the Group announced the sale of a 10% shareholding in Bank of Hangzhou Co., Ltd (HZB) to Hangzhou Urban Construction and Investment Group Co., Ltd and Hangzhou Communications Investment Group Co., Ltd, which are entities majority owned by the Hangzhou Municipal Government. As part of this sale, the Group agreed with HZB to retain its remaining shareholding in HZB of approximately 5.6% until at least 28 February 2025. The sale completed on 30 June 2022, resulting in a post-tax gain of $299 million (net of transaction and separation costs and including the gain on reclassification of the retained 5.6% interest from Investment in Associates to investments at fair value through Other Comprehensive Income). Post-tax transaction and separation costs of $22 million were recognised during the half year ended 30 June 2022.

CommInsure General Insurance

On 21 June 2021, the Group announced the sale of CommInsure General Insurance to Hollard Insurance Company Pty Ltd (Hollard). As part of the sale, the Group established an exclusive 15-year strategic alliance with Hollard for the distribution of home and motor vehicle insurance products. The sale of CommInsure General Insurance to Hollard completed on 30 September 2022, resulting in a post-tax gain of $82 million net of transaction and separation costs. This includes a $195 million post-tax gain recognised during the half year ended 31 December 2022, and post-tax transaction and separation costs of $46 million and $67 million recognised during the years ended 30 June 2022 and 2021, respectively.

Income Statement

Financial Impact of Discontinued Operations on the Group

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Net other operating income	**39**	52	329
Operating expenses	**(25)**	(34)	(183)
Net profit before tax	**14**	18	146
Income tax expense	**(4)**	(5)	(46)
Net profit after tax and before transaction and separation costs	**10**	13	100
(Losses)/gains on disposals of businesses net of transaction and separation costs [2]	**(81)**	(44)	1,029
Net (losses)/profit after tax from discontinued operations	**(71)**	(31)	1,129

1 Income statement for discontinued operations includes CFS.

2 Includes post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency translation reserve recycling), and transaction and separation costs associated with previously announced divestments.

Notes to the Financial Statements (continued)

7.3 Discontinued Operations and Businesses Held for Sale (continued)

Earnings per share for profit from discontinued operations attributable to equity holders of the Bank:

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	Cents per Share		
Earnings per share from discontinued operations:			
Basic	**(4. 2)**	(1. 8)	64. 9
Diluted	**(3. 9)**	(1. 7)	60. 8

Cash Flow Statement

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Net cash (used in)/provided by operating activities	**–**	–	(53)
Net cash (used in)/provided by investing activities	**–**	–	(79)
Net cash (used in)/provided by financing activities	**–**	–	(228)
Net cash (outflows)/inflows from discontinued operations	**–**	–	(360)

1 Represents cash flows from the underlying businesses classified as discontinued operations and excludes proceeds from disposal, post-completion adjustments, and transaction and separation costs.

Balance Sheet

	As at [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
Assets held for sale	**$M**	$M	$M
Cash and liquid assets	**–**	–	–
Assets at fair value through Income Statement	**–**	420	377
Intangible assets	**–**	35	35
Deferred tax assets	**–**	9	9
Other assets	**–**	847	624
Total assets [2]	**–**	1,311	1,045
Liabilities held for sale			
Other liabilities	**–**	1,183	952
Total liabilities	**–**	1,183	952

1 Comparative periods include the assets and liabilities of CommInsure General Insurance.
2 In addition to assets of business held for sale, the Group's total assets held for sale include $3 million of properties held for sale (30 June 2022: $11 million; 31 December 2021: $6 million) which are not included in the table above.

ACCOUNTING POLICY

Non-current assets (including disposal groups) are classified as held for sale if they will be recovered primarily through sale rather than through continuing use. Non-current assets which are to be abandoned, or businesses which are to be closed, are not classified as held for sale, since the carrying amount will be recovered principally through continuing use. A discontinued operation is a component of an entity that has been sold, or classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

7.4 Subsequent Events

The Directors have determined a fully franked interim dividend of 210 cents per share amounting to $3,546 million.

Dividend Reinvestment Plan (DRP)

The Bank expects the DRP for the interim dividend for the half year ended 31 December 2022 will be satisfied in full by an on-market purchase of shares of approximately $600 million.

Share buy-back

On 15 February 2023, the Bank announced its intention to undertake an on-market buy-back of up to $1 billion of shares in addition to the $2 billion announced on 9 February 2022 (of which $1.8 billion has been completed). The Bank reserves the right to vary, suspend or terminate the buy-back at any time.

Directors' Declaration

The Directors of the Commonwealth Bank of Australia declare that:

In the opinion of the Directors, the consolidated financial statements and notes for the half year ended on 31 December 2022, as set out on pages 65-112, are in accordance with the *Corporations Act 2001 (Cth)*, including:

i. complying with the Australian Accounting Standards and any further requirements in the *Corporations Regulations 2001*; and

ii. giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the six months ended 31 December 2022;

In the opinion of the Directors, there are reasonable grounds to believe that the Commonwealth Bank of Australia will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Paul O'Malley
Chairman
15 February 2023

Matt Comyn
Managing Director and Chief Executive Officer
15 February 2023

Independent auditor's review report to the members of the Commonwealth Bank of Australia

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of the Commonwealth Bank of Australia (the Bank) and the entities it controlled during the half-year (together the Group), which comprises the Consolidated Balance Sheet as at 31 December 2022, the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Condensed Consolidated Statement of Cash Flows for the half-year ended on that date, significant accounting policies and explanatory notes and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Bank does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the half-year financial report

The Directors of the Bank are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PricewaterhouseCoopers

PricewaterhouseCoopers

Elizabeth O'Brien

Elizabeth O'Brien
Partner

Sydney
15 February 2023

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Appendices

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1. Our Performance

Overview

The Group earns its returns from providing a broad range of banking and wealth management products and services to retail and wholesale customers in Australia, New Zealand and other jurisdictions.

Lending and deposit taking are the Group's primary business activities with net interest income being the main contributor to the Group's results. Net interest income is derived from the difference between interest earned on lending and investment assets and interest incurred on customer deposits and wholesale debt raised to fund these assets.

The Group further generates income from lending fees and commissions, general insurance products and trading activities. It also incurs costs associated with running the business such as staff, occupancy and technology related expenses.

The Performance section provides details of the main contributors to the Group's returns and analysis of its financial performance by business segments and geographical regions.

1.1 Net Interest Margin (continuing operations basis)

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
	%	%	%
Australia			
Interest spread [1,2]	**1. 76**	1. 77	1. 88
Benefit of interest-free liabilities, provisions and equity [3]	**0. 32**	0. 09	0. 08
Net interest margin [2,4]	**2. 08**	1. 86	1. 96
New Zealand			
Interest spread [1,2]	**2. 05**	1. 94	1. 91
Benefit of interest-free liabilities, provisions and equity [3]	**0. 33**	0. 20	0. 16
Net interest margin [2,4]	**2. 38**	2. 14	2. 07
Other Overseas			
Interest spread [1,2]	**0. 56**	0. 43	0. 66
Benefit of interest-free liabilities, provisions and equity [3]	**–**	–	–
Net interest margin [2,4]	**0. 56**	0. 43	0. 66
Total Group			
Interest spread [1]	**1. 78**	1. 76	1. 82
Benefit of interest-free liabilities, provisions and equity [3]	**0. 32**	0. 11	0. 10
Net interest margin [4]	**2. 10**	1. 87	1. 92

1 Difference between the average interest rate earned and the average interest rate paid on funds.

2 Interest spread and margin calculations have been adjusted to include intragroup borrowings to more appropriately reflect the overseas cost of funds.

3 A portion of the Group's interest earning assets is funded by net interest-free liabilities and shareholders' equity. The benefit to the Group of these interest-free funds is the amount it would cost to replace them at the average cost of funds.

4 Net interest income divided by average interest earning assets for the half year annualised.

1.2 Average Balances and Related Interest (continuing operations basis)

The following tables list the major categories of interest earning assets and interest bearing liabilities of the Group together with the respective interest earned or paid and the average interest rate for each of the half years ended 31 December 2022, 30 June 2022 and 31 December 2021. Averages used were predominantly daily averages. Interest is accounted for based on product yield.

Where assets or liabilities are hedged, the interest amounts are shown net of the hedge, however individual items not separately hedged may be affected by movements in exchange rates.

The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

Non-accrual loans are included in interest earning assets under loans, bills discounted and other receivables.

During the half year ended 31 December 2022 the official cash rate in Australia increased 225 basis points on a spot basis, while in New Zealand the official cash rate has increased 225 basis points on a spot basis.

	Half Year Ended 31 Dec 22			Half Year Ended 30 Jun 22			Half Year Ended 31 Dec 21		
	Avg Bal	**Interest**	**Yield**	Avg Bal	Interest	Yield	Avg Bal	Interest	Yield
Interest Earning Assets	**$M**	**$M**	**%**	$M	$M	%	$M	$M	%
Home loans [1]	**557,840**	**10,711**	**3. 81**	546,148	7,406	2. 73	530,226	7,341	2. 75
Consumer finance [2]	**16,455**	**803**	**9. 68**	16,363	785	9. 67	16,276	818	9. 97
Business and corporate loans	**251,585**	**4,691**	**3. 70**	234,775	3,421	2. 94	225,502	3,507	3. 09
Loans, bills discounted and other receivables	**825,880**	**16,205**	**3. 89**	797,286	11,612	2. 94	772,004	11,666	3. 00
Cash and other liquid assets	**168,360**	**1,923**	**2. 27**	145,146	231	0. 32	121,856	43	0. 07
Assets at fair value through Income Statement	**23,500**	**274**	**2. 31**	22,510	130	1. 16	25,918	71	0. 54
Investment Securities:									
At fair value through other comprehensive Income	**79,438**	**1,173**	**2. 93**	77,554	292	0. 76	83,987	199	0. 47
At amortised cost	**2,849**	**50**	**3. 48**	3,566	29	1. 64	4,305	20	0. 92
Non-lending interest earning assets	**274,147**	**3,420**	**2. 47**	248,776	682	0. 55	236,066	333	0. 28
Total interest earning assets [3]	**1,100,027**	**19,625**	**3. 54**	1,046,062	12,294	2. 37	1,008,070	11,999	2. 36
Non-interest earning assets [1]	**126,923**			124,474			115,152		
Assets held for sale	**925**			2,253			1,938		
Total average assets	**1,227,875**			1,172,789			1,125,160		

1 Home loans are reported net of average mortgage offset balances for the half year ended 31 December 2022 of $68,658 million (half year ended 30 June 2022: $66,537 million; half year ended 31 December 2021: $62,988 million), which are included in non-interest earning assets. While these balances are required to be grossed up under accounting standards, they are netted down for the calculation of customer interest payments and the calculation of the Group's net interest margin.

2 Consumer finance includes personal loans, credit cards and margin loans.

3 Used for calculating net interest margin.

Appendices (continued)

1.2 Average Balances and Related Interest (continued)

Interest Bearing Liabilities	Half Year Ended 31 Dec 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 21 Avg Bal $M	Interest $M	Yield %
Transaction deposits [1]	**133,974**	**847**	**1. 25**	125,292	181	0. 29	125,543	105	0. 17
Savings deposits [1]	**262,398**	**978**	**0. 74**	264,594	203	0. 15	260,571	210	0. 16
Investment deposits	**191,577**	**2,014**	**2. 09**	159,181	591	0. 75	156,854	674	0. 85
Certificates of deposit and other	**82,107**	**817**	**1. 97**	74,261	243	0. 66	63,790	213	0. 66
Total interest bearing deposits	**670,056**	**4,656**	**1. 38**	623,328	1,218	0. 39	606,758	1,202	0. 39
Payables to financial institutions	**24,185**	**332**	**2. 72**	23,270	70	0. 61	21,190	24	0. 22
Liabilities at fair value through Income Statement	**7,123**	**82**	**2. 28**	7,465	67	1. 81	8,704	38	0. 87
Term funding from central banks	**55,284**	**106**	**0. 38**	54,030	56	0. 21	52,289	43	0. 16
Debt issues	**113,956**	**1,890**	**3. 29**	116,099	586	1. 02	106,122	411	0. 77
Loan capital	**28,593**	**682**	**4. 73**	28,845	357	2. 50	29,529	330	2. 22
Lease liabilities	**2,856**	**38**	**2. 64**	2,939	37	2. 54	3,056	38	2. 47
Bank levy	**–**	**202**	**–**	–	178	–	–	165	–
Total interest bearing liabilities	**902,053**	**7,988**	**1. 76**	855,976	2,569	0. 61	827,648	2,251	0. 54
Non-interest bearing liabilities [1]	**252,301**			241,990			219,767		
Liabilities held for sale	**831**			1,073			1,070		
Total average liabilities	**1,155,185**			1,099,039			1,048,485		

Net Interest Margin	Half Year Ended 31 Dec 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 21 Avg Bal $M	Interest $M	Yield %
Total interest earning assets	**1,100,027**	**19,625**	**3. 54**	1,046,062	12,294	2. 37	1,008,070	11,999	2. 36
Total interest bearing liabilities	**902,053**	**7,988**	**1. 76**	855,976	2,569	0. 61	827,648	2,251	0. 54
Net interest income and interest spread		**11,637**	**1. 78**		9,725	1. 76		9,748	1. 82
Benefit of free funds			**0. 32**			0. 11			0. 10
Net interest margin			**2. 10**			1. 87			1. 92

1 Transaction and savings deposits exclude average mortgage offset balances for the half year ended 31 December 2022 of $68,658 million (half year ended 30 June 2022: $66,537 million; half year ended 31 December 2021: $62,988 million), which are included in non-interest bearing liabilities.

Appendices (continued)

1.2 Average Balances and Related Interest (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended 31 Dec 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 30 Jun 22 Avg Bal $M	Interest $M	Yield %	Half Year Ended 31 Dec 21 Avg Bal $M	Interest $M	Yield %
Loans, bills discounted and other receivables									
Australia	**710,369**	**13,581**	**3. 79**	681,299	9,663	2. 86	654,786	9,797	2. 97
New Zealand	**99,408**	**2,217**	**4. 42**	98,938	1,687	3. 44	99,790	1,628	3. 24
Other Overseas	**16,103**	**407**	**5. 01**	17,049	262	3. 10	17,428	241	2. 74
Total	**825,880**	**16,205**	**3. 89**	797,286	11,612	2. 94	772,004	11,666	3. 00
Non-lending interest earning assets									
Australia	**203,118**	**2,488**	**2. 43**	189,163	445	0. 47	185,281	252	0. 27
New Zealand	**13,834**	**248**	**3. 56**	12,646	94	1. 50	13,359	44	0. 65
Other Overseas	**57,195**	**684**	**2. 37**	46,967	143	0. 61	37,426	37	0. 20
Total	**274,147**	**3,420**	**2. 47**	248,776	682	0. 55	236,066	333	0. 28
Interest bearing deposits									
Australia	**562,460**	**3,402**	**1. 20**	522,540	770	0. 30	514,796	883	0. 34
New Zealand	**67,668**	**532**	**1. 56**	65,512	284	0. 87	65,147	260	0. 79
Other Overseas	**39,928**	**722**	**3. 59**	35,276	164	0. 94	26,815	59	0. 44
Total	**670,056**	**4,656**	**1. 38**	623,328	1,218	0. 39	606,758	1,202	0. 39
Other interest bearing liabilities									
Australia	**191,346**	**2,762**	**2. 86**	193,970	1,059	1. 10	183,406	820	0. 89
New Zealand	**26,629**	**537**	**4. 00**	27,371	298	2. 20	29,247	223	1. 51
Other Overseas	**14,022**	**33**	**0. 47**	11,307	(6)	(0. 11)	8,237	6	0. 14
Total	**231,997**	**3,332**	**2. 85**	232,648	1,351	1. 17	220,890	1,049	0. 94

1 The New Zealand and Other Overseas components comprise overseas branches of the Group and overseas domiciled controlled entities.

1.3 Interest Rate and Volume Analysis (continuing operations basis)

The following tables show the movement in interest income and expense due to changes in volume and interest rates from prior periods. Volume variances reflect the change in interest due to movements in the average balance. Rate variances reflect the change in interest due to changes in interest rates.

	Half Year Ended Dec 22 vs Jun 22			Half Year Ended Dec 22 vs Dec 21		
	Volume	Rate	Total	Volume	Rate	Total
Interest Earning Assets [1]	$M	$M	$M	$M	$M	$M
Home loans	347	2,958	3,305	530	2,840	3,370
Consumer finance	18	–	18	9	(24)	(15)
Business and corporate loans	370	900	1,270	486	698	1,184
Loans, bills discounted and other receivables	754	3,839	4,593	1,057	3,482	4,539
Cash and other liquid assets	269	1,423	1,692	531	1,349	1,880
Assets at fair value through Income Statement	14	130	144	(28)	231	203
Investment securities:						
At fair value through other comprehensive Income	33	848	881	(67)	1,041	974
At amortised cost	(12)	33	21	(26)	56	30
Non-lending interest earning assets	328	2,410	2,738	475	2,612	3,087
Total interest earning assets	1,167	6,164	7,331	1,641	5,985	7,626

	Half Year Ended Dec 22 vs Jun 22			Half Year Ended Dec 22 vs Dec 21		
	Volume	Rate	Total	Volume	Rate	Total
Interest Bearing Liabilities [1]	$M	$M	$M	$M	$M	$M
Transaction deposits	58	608	666	53	689	742
Savings deposits	(5)	780	775	7	761	768
Investment deposits	350	1,073	1,423	365	975	1,340
Certificates of deposit and other	82	492	574	182	422	604
Total interest bearing deposits	345	3,093	3,438	440	3,014	3,454
Payables to financial institutions	14	248	262	41	267	308
Liabilities at fair value through Income Statement	(3)	18	15	(18)	62	44
Term funding from central banks	3	47	50	6	57	63
Debt issues	(26)	1,330	1,304	130	1,349	1,479
Loan capital	–	325	325	(22)	374	352
Lease liabilities	–	1	1	(3)	3	–
Bank levy	–	24	24	–	37	37
Total interest bearing liabilities	451	4,968	5,419	659	5,078	5,737

	Half Year Ended	
	Dec 22 vs Jun 22	Dec 22 vs Dec 21
	Increase/(Decrease)	Increase/(Decrease)
Change in Net Interest Income	$M	$M
Due to changes in average volume of interest earning assets	571	973
Due to changes in interest margin	1,180	916
Due to variation in time period	161	–
Change in net interest income	1,912	1,889

1 "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods. "Volume" reflects the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

Appendices (continued)

1.3 Interest Rate and Volume Analysis (continued)

Geographical Analysis of Key Categories [1]	Half Year Ended Dec 22 vs Jun 22 Volume $M	Rate $M	Total $M	Half Year Ended Dec 22 vs Dec 21 Volume $M	Rate $M	Total $M
Loans, bills discounted and other receivables						
Australia	716	3,202	3,918	1,063	2,721	3,784
New Zealand	38	492	530	(9)	598	589
Other Overseas	(20)	165	145	(33)	199	166
Total	754	3,839	4,593	1,057	3,482	4,539
Non-lending interest earning assets						
Australia	178	1,865	2,043	218	2,018	2,236
New Zealand	23	131	154	9	195	204
Other Overseas	125	416	541	236	411	647
Total	328	2,410	2,738	475	2,612	3,087
Interest bearing deposits						
Australia	254	2,378	2,632	288	2,231	2,519
New Zealand	22	226	248	20	252	272
Other Overseas	87	471	558	237	426	663
Total	345	3,093	3,438	440	3,014	3,454
Other interest bearing liabilities						
Australia	(20)	1,723	1,703	115	1,827	1,942
New Zealand	(10)	249	239	(53)	367	314
Other Overseas	6	33	39	14	13	27
Total	13	1,968	1,981	160	2,123	2,283

1 "Rate" reflects the change due to movements in yield assuming average volume is consistent across the two periods. "Volume" reflects the change due to balance growth assuming the average rate is consistent across the two periods and the impact of variation in calendar days. The volume and rate variances for total interest earning assets and total interest bearing liabilities have been calculated separately (rather than being the sum of the individual categories).

1.4 Other Operating Income (continuing operations basis)

	Half Year Ended [1]				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net Commissions	**1,013**	1,011	1,067	–	(5)
Lending fees	**357**	359	377	(1)	(5)
Trading income	**513**	438	368	17	39
Net gain on non-trading financial instruments [2]	**343**	256	164	34	large
Net (loss)/gain on sale of property, plant and equipment	**(4)**	–	12	n/a	(large)
Net (loss)/gain from hedging ineffectiveness	**(6)**	16	(12)	(large)	50
Dividends	**25**	–	–	n/a	n/a
Share of profit of associates and joint ventures net of impairment	**(15)**	753	259	(large)	(large)
Net insurance and funds management income	**28**	110	98	(75)	(71)
Other [3,4]	**57**	101	86	(44)	(34)
Total net other operating income - "statutory basis"	**2,311**	3,044	2,419	(24)	(4)

1 Comparative information has been restated to conform to presentation in the current period.
2 Includes gains/(losses) on non-trading derivatives that are held for risk management purposes.
3 The half year ended 31 December 2022 includes depreciation of $32 million in relation to assets held for lease as lessor by the Group (30 June 2022: $29 million; 31 December 2021: $32 million).
4 The half year ended 31 December 2022 includes a $4 million reversal of impairment loss in relation to certain aircraft owned by the Group and leased to various airlines (30 June 2022: $60 million impairment reversal; 31 December 2021: $8 million impairment reversal).

Other Operating Income – Reconciliation of Cash and Statutory Basis

The table below sets out various accounting impacts arising from the application of AASB 139 *Financial Instruments: Recognition and Measurement* to the Group's derivative hedging activities and other non-cash items.

	Half Year Ended [1]				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Net other operating income - "cash basis"	**1,956**	2,857	2,359	(32)	(17)
Revenue hedge of New Zealand operations - unrealised	**8**	(5)	(35)	large	large
Hedging and IFRS volatility	**27**	203	12	(87)	large
Gain/(loss) on disposal and acquisition of entities net of transaction costs	**320**	(11)	83	large	large
Net other operating income - "statutory basis"	**2,311**	3,044	2,419	(24)	(4)

1 Comparative information has been restated to conform to presentation in the current period.

2. Risk Management

Overview

The Group is exposed to financial risks, non-financial risks and strategic risks arising from its operations. The Group manages these risks through its Risk Management Framework (the Framework), which evolves to accommodate changes in the business operating environment, better practice approaches, and regulatory and community expectations. The Group's key risk types are credit, market, liquidity, operational, insurance and strategic. The framework is discussed in Note 9.1 in the 2022 Annual Report.

2.1 Integrated Risk Management

The Group's approach to risk management is described within Note 9 of the Financial Statements in the 2022 Annual Report. Further disclosures in respect of capital adequacy and risk are provided in the Group's annual Pillar 3 document.

Credit Risk

The Group uses a portfolio approach for the management of its credit risk, of which a key element is a well-diversified portfolio. The Group uses various portfolio management tools to assist in diversifying the credit portfolio.

Below is a breakdown of the Group's committed exposures across industry sector, region and commercial credit quality.

	As at [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
By Sector	**%**	%	%
Consumer	**55. 6**	55. 9	56. 9
Government, Admin. & Defence	**17. 0**	17. 0	15. 9
Finance & Insurance	**6. 8**	6. 8	6. 7
Commercial Property	**6. 5**	6. 5	6. 5
Agriculture & Forestry	**2. 1**	2. 1	2. 1
Transport & Storage	**1. 8**	1. 8	2. 0
Manufacturing	**1. 4**	1. 3	1. 3
Entertainment, Leisure & Tourism	**1. 1**	1. 0	1. 1
Retail Trade	**1. 1**	1. 0	1. 0
Wholesale Trade	**1. 0**	1. 0	0. 9
Health & Community Services	**1. 0**	1. 0	1. 0
Business Services	**1. 0**	1. 0	1. 0
Electricity, Water & Gas	**0. 9**	0. 9	0. 9
Construction	**0. 9**	0. 8	0. 8
Mining, Oil & Gas	**0. 5**	0. 6	0. 6
Media & Communications	**0. 4**	0. 4	0. 4
Education	**0. 3**	0. 3	0. 2
Personal & Other Services	**0. 2**	0. 2	0. 3
Other	**0. 4**	0. 4	0. 4
Total	**100. 0**	100. 0	100. 0

1 Committed exposures by industry sector, region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

2.1 Integrated Risk Management (continued)

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
By Region [1]	**%**	%	%
Australia	**81. 9**	82. 1	81. 6
New Zealand	**10. 0**	9. 8	10. 2
Americas	**3. 4**	3. 6	3. 2
Europe	**2. 6**	2. 3	2. 9
Asia	**2. 1**	2. 2	2. 1
	100. 0	100. 0	100. 0

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
Commercial Portfolio Quality [1]	**%**	%	%
AAA/AA	**44. 5**	44. 7	43. 0
A	**12. 3**	12. 0	12. 3
BBB	**14. 2**	13. 0	13. 7
Other	**29. 0**	30. 3	31. 0
	100. 0	100. 0	100. 0

1 Committed exposures by region and commercial credit quality are disclosed on a gross basis (calculated before collateralisation).

As a measure of individually risk-rated commercial portfolio exposure (including finance and insurance), the Group has 71.0% (June 2022: 69.7%; December 2021: 69.0%) of commercial exposures at investment grade quality.

Appendices (continued)

2.1 Integrated Risk Management (continued)

Market Risk

Market risk in the Balance Sheet is discussed within Note 9.3 of the 2022 Annual Report.

Value at Risk (VaR)

The Group uses Value at Risk (VaR) as one of the measures of Traded and Non-Traded market risk. VaR measures potential loss using historically observed market movements and correlation between different markets.

VaR is modelled at a 99.0% confidence level. This means that there is a 99.0% probability that the loss will not exceed the VaR estimate on any given day.

A 10-day holding period is used for trading book positions. A 20-day holding period is used for interest rate risk in the banking book.

Where VaR is deemed not to be an appropriate method of risk measurement, other risk measures have been used as specified by the heading or accompanying footnotes of the tables provided.

	Average VaR [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
Traded Market Risk	**$M**	$M	$M
Risk Type			
Interest rate risk	**48. 3**	32. 6	24. 7
Foreign exchange risk	**15. 9**	5. 7	7. 3
Equities risk	**–**	–	0. 6
Commodities risk	**29. 9**	21. 2	24. 7
Credit spread risk	**16. 1**	21. 6	42. 0
Other market risk [2]	**22. 2**	27. 7	21. 6
Diversification benefit	**(70. 0)**	(54. 9)	(66. 6)
Total general market risk	**62. 4**	53. 9	54. 3
Undiversified risk	**18. 4**	17. 7	17. 0
Other [3]	**1. 6**	1. 4	1. 8
Total	**82. 4**	73. 0	73. 1

1 Average VaR is at 10 day 99% confidence and is calculated for each 6 month period.
2 Includes volatility risk and basis risk.
3 Includes ASB, PTBC and Europe.

Appendices (continued)

2.1 Integrated Risk Management (continued)

Interest rate risk in the banking book

Interest rate risk in the banking book is discussed within Note 9.3 of the 2022 Annual Report.

(a) Next 12 Months' Earnings

The figures in the following table represent the potential unfavourable change to the Group's net interest earnings during the year based on a 100 basis point parallel rate shock.

		Half Year Ended		
		31 Dec 22	30 Jun 22	31 Dec 21
Net Interest Earnings at Risk [1]		**$M**	$M	$M
Average monthly exposure	AUD	**213. 7**	1,619. 3	1,631. 1
High month exposure	AUD	**633. 9**	1,849. 7	1,784. 7
Low month exposure	AUD	**4. 6**	1,106. 3	1,488. 3

1 Exposures over a 6 month period. Net interest earnings at risk decreased during the period due to increases in the official cash rate in both Australia and New Zealand which reduced the impact of interest rate floors on deposit balances.

(b) Economic Value

A 20-day 99.0% VaR measure is used to capture the economic impact of adverse changes in interest rates on all banking book assets and liabilities.

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
Non-Traded Interest Rate Risk VaR (20-day 99.0% confidence) [1]	**$M**	$M	$M
Average daily exposure	**504. 1**	430. 1	372. 0
High daily exposure	**585. 6**	520. 4	446. 9
Low daily exposure	**428. 5**	363. 9	326. 8

1 Exposures over a 6 month period.

Appendices (continued)

2.1 Integrated Risk Management (continued)

Funding Sources

The following table provides the funding sources for the Group including customer deposits, and short-term and long-term wholesale funding. Shareholders' equity is excluded from this view of funding sources.

	As at				
	31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M	Dec 22 vs Jun 22 %	Dec 22 vs Dec 21 %
Transaction deposits [1]	**193,500**	188,917	182,425	2	6
Savings deposits	**266,765**	275,997	266,661	(3)	–
Investment deposits	**206,893**	169,401	156,103	22	33
Other customer deposits [1,2]	**132,450**	143,448	135,857	(8)	(3)
Total customer deposits	**799,608**	777,763	741,046	3	8
Wholesale funding					
Short-term					
Certificates of deposit [3]	**44,571**	44,154	48,803	1	(9)
US commercial paper programme	**15,050**	20,405	22,613	(26)	(33)
Euro medium-term note programme	**2,874**	858	1,408	large	large
Central Bank deposits	**13,796**	14,185	12,770	(3)	8
Other [4]	**1,418**	2,637	1,166	(46)	22
Total short-term wholesale funding	**77,709**	82,239	86,760	(6)	(10)
Net collateral received and settlement balances [5]	**585**	6,316	6,069	(91)	(90)
Internal RMBS sold under agreement to repurchase with RBA	**–**	–	300	–	(large)
Total short-term collateral deposits	**585**	6,316	6,369	(91)	(91)
Total long-term funding - less than or equal to one year residual maturity [6]	**36,941**	24,696	28,233	50	31
Long-term - greater than one year residual maturity					
Domestic debt program	**12,577**	9,896	7,313	27	72
Euro medium-term note programme	**17,980**	16,326	16,571	10	9
US medium-term note programme [7]	**24,302**	22,302	18,357	9	32
Covered bond programme	**27,472**	27,003	24,439	2	12
Securitisation	**4,720**	4,943	5,866	(5)	(20)
Loan capital	**31,768**	27,155	21,961	17	45
RBA Term Funding Facility (TFF)	**31,990**	49,637	51,137	(36)	(37)
Other	**7,733**	4,165	1,649	86	large
Total long-term funding - greater than one year residual maturity	**158,542**	161,427	147,293	(2)	8
IFRS MTM and derivative FX revaluations	**(8,334)**	(5,684)	2,569	(47)	(large)
Total funding	**1,065,051**	1,046,757	1,012,270	2	5
Reported as					
Deposits and other public borrowings	**879,152**	857,586	815,124	3	8
Payables to financial institutions	**19,863**	26,052	21,487	(24)	(8)
Liabilities at fair value through Income Statement	**7,015**	7,271	7,444	(4)	(6)
Term funding from central banks [8]	**56,011**	54,807	52,828	2	6
Debt issues	**118,843**	116,902	117,466	2	1
Loan capital	**28,896**	28,017	28,158	3	3
Loans and other receivables - collateral posted	**(1,012)**	(870)	(905)	(16)	(12)
Receivables due from other financial institutions - collateral posted	**(5,210)**	(3,748)	(2,540)	(39)	(large)
Securities purchased under agreements to resell	**(38,507)**	(39,260)	(26,792)	2	(44)
Total funding	**1,065,051**	1,046,757	1,012,270	2	5

1 Transaction deposits exclude non-interest bearing deposits (included in other customer deposits).
2 Other customer deposits primarily consist of non-interest bearing transaction deposits and deposits held at fair value through the Income Statement.
3 Includes Bank acceptances.
4 Includes net non-HQLA securities sold or purchased under repurchase agreements and interbank borrowings.
5 Includes other repurchase agreements not reported above and Vostro balances.
6 Residual maturity of long-term wholesale funding (included in Debt issues and Loan capital and the Group's drawn TFF allowance) is the earlier of the next call date or final maturity.
7 Includes notes issued under the Bank's 3(a)(2) programme.
8 Includes drawings from the TFF, RBNZ Funding for Lending Programme (FLP) and Term Lending Facility (TLF).

2.1 Integrated Risk Management (continued)

Overview

The Group's liquidity and funding policies are designed to ensure it will meet its obligations as and when they fall due by ensuring it is able to issue debt on an unsecured or secured basis, has sufficient liquid assets to borrow against under repurchase agreements or sell to raise immediate funds without adversely affecting the Group's net asset value.

The Group's liquidity policies are designed to ensure it maintains sufficient cash balances and liquid asset holdings to meet its obligations to customers, in both ordinary market conditions and during periods of extreme stress. These policies are intended to protect the value of the Group's operations during periods of unfavourable market conditions.

The Group's funding policies are designed to achieve diversified sources of funding by product, term, maturity date, investor type, investor location, currency and concentration, on a cost effective basis. This objective applies to the Group's wholesale and retail funding activities.

Liquidity and Risk Management Framework

The CBA Board is ultimately responsible for the sound and prudent management of liquidity risk across the Group. The Group's liquidity and funding policies, structured under a formal Group Liquidity and Funding Risk Management Framework, are approved by the Board and agreed with APRA. The Group Asset and Liability Committee (ALCO) charter includes reviewing the management of assets and liabilities, reviewing liquidity and funding policies and strategies, as well as regularly monitoring compliance with those policies across the Group. Group Treasury manages the Group's liquidity and funding positions in accordance with the Group's Liquidity Policy and supporting standards, and has ultimate authority to execute liquidity and funding decisions should the Group Contingency Funding Plan be activated. Risk Management provides oversight of the Group's liquidity and funding risks, compliance with Group policies and manages the Group's relationship with prudential regulators.

Subsidiaries within the Group apply their own liquidity and funding strategies to address their specific needs. The Group's New Zealand banking subsidiary, ASB, manages its own domestic liquidity and funding needs in accordance with its own liquidity policy and the policies of the Group. ASB's liquidity policy is also overseen by the RBNZ.

Liquidity and Funding Policies and Management

The Group's liquidity and funding policies provide that:

- An excess of liquid assets over the minimum prescribed under APRA's LCR requirement is maintained. Australian ADIs are required to meet a 100% LCR, calculated as the ratio of high quality liquid assets to 30 day net cash outflows projected under a prescribed stress scenario;
- A surplus of stable funding from various sources, as measured by APRA's Net Stable Funding Ratio (NSFR), is maintained. The NSFR is calculated by applying factors prescribed by APRA to assets and liabilities to determine a ratio of required stable funding to available stable funding which must be greater than 100%;
- Additional internal funding and liquidity metrics are calculated and stress tests additional to the LCR are run;
- Short and long-term wholesale funding limits are established, monitored and reviewed regularly;
- The Group's wholesale funding market capacity is regularly assessed and used as a factor in funding strategies;
- Liquid assets are held in Australian dollar and foreign currency denominated securities in accordance with expected requirements;
- The Group has three categories of liquid assets within its domestic liquid assets portfolio. The first includes cash, government and Australian semi-government securities. The second includes Negotiable Certificates of Deposit, bank term securities, supranational bonds, Australian Residential Mortgage Backed Securities (RMBS) and other securities that meet RBA criteria for purchases under repurchase agreements. The final category is internal RMBS, being mortgages that have been securitised but retained by the Bank, that are repo-eligible with the RBA either using the Committed Liquidity Facility (CLF) or under the Exceptional Liquidity Assistance (ELA) arrangements, and are also held as contingent liquidity for periods of stress to meet APRA's requirements; and
- Offshore branches and subsidiaries adhere to liquidity policies and hold appropriate foreign currency liquid assets to meet required regulations. Material banking subsidiaries are required to maintain a LCR of at least 100%.

The Group's key funding tools include:

- Consumer retail funding base, which includes a wide range of retail transaction accounts, savings accounts and term deposits for individual consumers;
- Small business customer and institutional deposit base;
- Wholesale domestic and international funding programmes, which include Australian dollar Negotiable Certificates of Deposit, US and Euro Commercial Paper programmes, Australian dollar Domestic Debt Programme, US Medium-Term Note Programmes, Euro Medium-Term Note Programme, multi jurisdiction Covered Bond programme and Medallion securitisation programmes; and
- Existing drawdowns under the RBA Term Funding Facility (TFF) and RBNZ term lending facilities.

The Group's key liquidity tools include:

- A liquidity management model that implements the established prudential liquidity requirements. This model is calibrated with a series of 'stress' liquidity crisis scenarios, incorporating both systemic and idiosyncratic crisis assumptions, such that the Group will have sufficient liquid assets available to ensure it meets all of its obligations as and when they fall due;
- An additional liquidity management model that allows forecasting of liquidity needs on a daily basis;

Appendices (continued)

2.1 Integrated Risk Management (continued)

- A regulatory liquidity management reporting system delivering granular customer and product type information to inform business decision making, product development and resulting in a greater awareness of the liquidity risk adjusted value of banking products;
- Holdings of HQLA, alternative liquid assets and internal RMBS which are eligible for repurchase with the Central Bank that provide the Group with the ability to borrow funds on a secured basis, even when normal funding markets are unavailable; and
- A robust Contingency Funding Plan that is regularly tested so that it can be quickly activated when required.

2.2 Counterparty and Other Credit Risk Exposures

Leveraged Finance

The Group provides leveraged finance to companies. This can include companies acquired or owned by private equity sponsors which can be highly leveraged, primarily domiciled in Australia and New Zealand and exhibit stable and established earnings providing the ability to reduce borrowing levels. The Group's exposure to firms owned by private equity sponsors is diversified across industries and private equity sponsors. Leveraged debt facilities provided to private equity sponsors are typically senior with first ranking security over the cash flows and assets of the businesses.

Hedge Funds

There were no material movements in exposures to hedge funds during the current half and these exposures are not considered to be material.

Collateralised Debt Obligations (CDOs) and Credit Linked Notes

The Group has no material direct or indirect exposure to CDOs or credit linked notes.

3. Our Capital, Equity and Reserves

Overview

The Group maintains a strong capital position in order to satisfy regulatory capital requirements, provide financial security to its depositors and creditors and adequate return to its shareholders. The Group's shareholders' equity includes issued ordinary shares, retained earnings and reserves.

This section provides analysis of the Group's shareholders' equity including changes during the period.

3.1 Capital

The tables below show the APRA Basel III capital adequacy calculation at 31 December 2022 together with prior period comparatives.

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
Risk Weighted Capital Ratios	**%**	%	%
Common Equity Tier 1	**11. 4**	11. 5	11. 8
Tier 1	**13. 3**	13. 6	14. 0
Tier 2	**4. 5**	4. 0	4. 0
Total Capital	**17. 8**	17. 6	18. 0

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Ordinary share capital and treasury shares			
Ordinary share capital	**35,140**	36,467	36,949
Treasury shares [1]	**137**	26	9
Ordinary share capital and treasury shares	**35,277**	36,493	36,958
Reserves	**(986)**	(460)	2,848
Retained earnings and current period profits			
Retained earnings and current period profits	**38,384**	36,826	34,861
Retained earnings adjustment from non-consolidated subsidiaries [2]	**(28)**	(131)	(125)
Net retained earnings	**38,356**	36,695	34,736
Non-controlling interests			
Non-controlling interests [3]	**5**	5	5
Less other non-controlling interests not eligible for inclusion in regulatory capital	**(5)**	(5)	(5)
Non-controlling interests	**–**	–	–
Common Equity Tier 1 Capital before regulatory adjustments	**72,647**	72,728	74,542

1 Represents eligible employee share scheme arrangements. As at 31 December 2022, balances include treasury shares held by both trust arrangements and shares held directly by the Bank.

2 Cumulative current period profit and retained earnings adjustments for subsidiaries not consolidated for regulatory purposes.

3 Non-controlling interests include external equity interests in the Group's subsidiary.

Appendices (continued)

3.1 Capital (continued)

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Common Equity Tier 1 regulatory adjustments			
Goodwill [1]	**(5,299)**	(5,330)	(5,330)
Other intangibles (including software) [2]	**(1,782)**	(1,548)	(1,722)
Capitalised costs and deferred fees	**(1,155)**	(1,056)	(984)
Defined benefit superannuation plan surplus [3]	**(411)**	(406)	(325)
Deferred tax asset	**(2,962)**	(3,016)	(2,353)
Cash flow hedge reserve	**1,236**	859	41
Employee compensation reserve	**(60)**	(94)	(55)
Equity investments [4]	**(4,382)**	(4,651)	(8,017)
Equity investments in non-consolidated subsidiaries [5]	**(89)**	(242)	(217)
Unrealised fair value adjustments [6]	**(94)**	(131)	(25)
Shortfall of provisions to expected losses [7]	**(6)**	(18)	(14)
Other	**(91)**	(72)	(77)
Common Equity Tier 1 regulatory adjustments	**(15,095)**	(15,705)	(19,078)
Common Equity Tier 1 Capital	**57,552**	57,023	55,464
Additional Tier 1 Capital			
Basel III complying instruments [8]	**9,312**	10,535	10,425
Basel III non-complying instruments net of transitional amortisation [9]	**–**	–	138
Total Additional Tier 1 Capital	**9,312**	10,535	10,563
Total Tier 1 Capital	**66,864**	67,558	66,027
Tier 2 Capital			
Basel III complying instruments [10]	**22,161**	19,491	17,127
Basel III non-complying instruments net of transitional amortisation [11]	**–**	–	264
Holding of Tier 2 Capital	**(399)**	(519)	(37)
Prudential general reserve for credit losses [12]	**1,127**	1,020	1,574
Total Tier 2 Capital	**22,889**	19,992	18,928
Total Capital	**89,753**	87,550	84,955

1 Includes goodwill from discontinued operations.
2 Other intangibles (including capitalised software costs), net of any associated deferred tax liability.
3 Represents the surplus in the Group's defined benefit superannuation fund, net of any deferred tax liability.
4 Represents the Group's non-controlling interest in other entities.
5 Non-consolidated subsidiaries consists of the insurance and funds management entities, and qualifying securitisation vehicles that meets APRA's operational requirement for regulatory capital relief under APS 120 "Securitisation". Reduction in the half year ended 31 December 2022 attributable to the completion of the sale of CommInsure General Insurance.
6 Includes gains due to changes in the Group's credit risk on fair valued liabilities and other prudential valuation adjustments.
7 Represents the shortfall between the regulatory Expected Losses (EL) and Eligible Provisions (EP) with respect to credit portfolios which are subject to the AIRB approach. The adjustment is assessed separately for both defaulted and non-defaulted exposures. Where there is an excess of EL over EP in either assessments, the difference must be deducted from CET1. For non-defaulted exposures where the EL is lower than the EP, this may be included in Tier 2 capital up to a maximum of 0.6% of total credit RWAs.
8 As at 31 December 2022, comprises PERLS XV $1,777 million (November 2022), PERLS XIV $1,750 million (March 2022), PERLS XIII $1,180 million (April 2021), PERLS XII $1,650 million (November 2019), PERLS XI $1,590 million (December 2018) and PERLS X $1,365 million (April 2018).
9 Represents APRA Basel III non-compliant Additional Tier 1 Capital Instruments that were eligible for inclusion in regulatory capital up until 1 January 2022 as part of the Basel III transitional relief arrangements.
10 In the half year ended 31 December 2022, the Group issued HKD400 million, AUD300 million, AUD900 million, AUD1,100 million and JPY20 billion subordinated notes, all of which were Basel III compliant.
11 Represents APRA Basel III non-compliant Tier 2 capital instruments that were eligible for inclusion in regulatory capital up until 1 January 2022 as part of the Basel III transitional relief arrangements.
12 Represents the collective provision and general reserve for credit losses for exposures in the Group which are measured for capital purposes under the Standardised approach to credit risk.

Appendices (continued)

3.1 Capital (continued)

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
Risk Weighted Assets (RWA)	**$M**	$M	$M
Credit Risk			
Subject to AIRB approach [1]			
Corporate	**75,544**	69,621	68,406
SME Corporate	**30,211**	29,671	30,141
SME retail	**5,978**	5,797	5,730
SME retail secured by residential mortgage	**2,623**	2,725	2,789
Sovereign	**2,311**	2,249	2,463
Bank	**3,218**	4,194	4,359
Residential mortgage	**171,742**	171,819	167,999
Qualifying revolving retail	**5,050**	5,022	5,031
Other retail	**9,170**	8,815	10,804
Total RWA subject to AIRB approach	**305,847**	299,913	297,722
Specialised lending exposures subject to slotting criteria	**70,865**	67,078	65,825
Subject to Standardised approach			
Corporate	**383**	506	1,289
SME corporate	**481**	573	641
SME retail	**2,112**	2,169	2,291
Sovereign	**294**	322	348
Bank	**42**	50	48
Residential mortgage	**6,680**	6,429	6,380
Other retail	**1,152**	1,078	971
Other assets	**8,310**	8,276	8,028
Total RWA subject to Standardised approach	**19,454**	19,403	19,996
Securitisation	**3,585**	3,439	3,486
Credit valuation adjustment	**2,119**	3,136	3,110
Central counterparties	**147**	678	548
Total RWA for Credit Risk Exposures	**402,017**	393,647	390,687
Traded market risk	**13,773**	10,683	10,803
Interest rate risk in the banking book	**47,850**	47,640	24,356
Operational risk	**40,740**	45,922	46,081
Total risk weighted assets	**504,380**	497,892	471,927

1 Pursuant to APRA requirements, RWA amounts derived from AIRB risk weight functions have been multiplied by a scaling factor of 1.06.

Appendices (continued)

3.2 Share Capital

	Half Year Ended		
	31 Dec 22	30 Jun 22	31 Dec 21
Shares on Issue	**Number**	Number	Number
Opening balance (excluding Treasury Shares deduction)	**1,701,538,406**	1,706,391,603	1,774,096,410
Share buy-back			
Off-market buy-back [1]	**–**	–	(67,704,807)
On-market buy-back [2]	**(13,124,237)**	(4,853,197)	–
Dividend reinvestment plan issues:			
2021/2022 Final dividend fully paid ordinary shares $96.44 [3]	**–**	–	–
2021/2022 Interim dividend fully paid ordinary shares $97.95 [3]	**–**	–	–
2020/2021 Final dividend fully paid ordinary shares $101.00 [3]	**–**	–	–
Closing balance (excluding Treasury Shares deduction)	**1,688,414,169**	1,701,538,406	1,706,391,603
Less: Treasury Shares [4]	**(1,421,454)**	(1,600,415)	(1,510,320)
Closing balance	**1,686,992,715**	1,699,937,991	1,704,881,283

1 On 4 October 2021, the Group announced the successful completion of its $6 billion off-market buy-back of CBA ordinary shares. 67,704,807 ordinary shares were bought back at $88.62, and comprised a fully franked dividend component of $66.96 per share ($4,534 million) and a capital component of $21.66 per share ($1,466 million). The shares bought back were subsequently cancelled.

2 On 9 February 2022, the Group announced the intention to conduct an on-market share buy-back of up to $2 billion. During the half year ended 30 June 2022, 4,853,197 ordinary shares were bought back at an average price of $96.42 ($468 million). During the half year ended 31 December 2022, 13,124,237 ordinary shares were bought back at an average price of $101.33 per share ($1,330 million). The shares bought back were subsequently cancelled.

3 The DRP in respect of the final 2021/2022, interim 2021/2022 and final 2020/2021 dividends were satisfied in full through the on-market purchase and transfer of 6,201,070 shares at $96.44, 5,107,902 shares at $97.95 and 5,618,474 shares at $101.00 respectively, to participating shareholders.

4 Relates to the movements in treasury shares held within the employee share scheme plans.

Dividend Franking Account

Australian Franking Credits

The franking credits available to the Group at 31 December 2022, after allowing for Australian tax payable in respect of the current and prior reporting period's profit, are estimated to be $1,645 million (30 June 2022: $1,635 million; 31 December 2021: $1,354 million).

New Zealand Imputation Credits

The New Zealand imputation credits available to CBA at 31 December 2022 are estimated to be NZ$896 million (30 June 2022: NZ$896 million; 31 December 2021: NZ$923 million). This is calculated on the same basis as the Australian franking credits but using the New Zealand current tax liability.

Dividends

The Directors have determined a fully franked interim dividend of 210 cents per share amounting to $3,546 million. There is no foreign conduit income attributed to the interim dividend. The dividend will be payable on or around 30 March 2023 to shareholders on the register at 5:00pm AEDT on 23 February 2023.

The Board determines the dividend per share based on net profit after tax ("cash basis") per share, having regard to a range of factors including:

- Current and expected rates of business growth and the mix of business;
- Capital needs to support economic, regulatory and credit ratings requirements;
- Investments and/or divestments to support business development;
- Competitors comparison and market expectations; and
- Earnings per share growth.

Dividend Reinvestment Plan

The Group has a Dividend Reinvestment Plan (DRP) that is available to shareholders in Australia and certain other jurisdictions. Shareholders can elect to participate to acquire fully paid ordinary shares instead of receiving a cash dividend payment. Shares issued under DRP rank equally with ordinary shares on issue. The DRP for the 2022 final, 2022 interim and 2021 final dividends were satisfied in full by the on-market purchase and transfer of shares, and had participation rates of 16.8%, 16.8% and 16.1% respectively.

Record Date

The record date for determination of interim dividend entitlement is 23 February 2023. The date for notifying a change to participation in the DRP for the interim dividend is 24 February 2023.

Ex-Dividend Date

The ex-dividend date for the interim dividend is 22 February 2023.

Share Buy-Back

On 9 February 2022, the Group announced its intention to conduct an on-market share buy-back of up to $2 billion. As at 31 December 2022, 17,977,434 ordinary shares have been bought back with a total value of $1,798 million (for the half year ended 30 June 2022: 4,853,197 ordinary shares at an average price of $96.42 ($468 million); for the half year to 31 December 2022: 13,124,237 ordinary shares at an average price of $101.33 per share ($1,330 million)). The ordinary shares bought back were subsequently cancelled.

4. Other Information

4.1 Intangible Assets

	As at		
	31 Dec 22	30 Jun 22	31 Dec 21
	$M	$M	$M
Goodwill			
Purchased goodwill at cost	**5,299**	5,295	5,295
Closing balance	**5,299**	5,295	5,295
Computer Software Costs			
Net carrying value	**1,643**	1,409	1,585
Closing balance	**1,643**	1,409	1,585
Brand Names [1]			
Cost	**186**	186	186
Closing balance	**186**	186	186
Other intangibles			
Cost	**8**	9	7
Closing balance	**8**	9	7
Total intangible assets	**7,136**	6,899	7,073

1 Brand names predominantly represent the value of royalty costs foregone by the Group through acquiring the Bankwest brand name. The royalty costs that would have been incurred by an entity using the Bankwest brand name are based on an annual percentage of income generated by Bankwest. The Bankwest brand name has an indefinite useful life, as there is no foreseeable limit to the period over which the brand name is expected to generate cash flows. This is not subject to amortisation, but requires annual impairment testing. No impairment was recognised during the period.

Appendices (continued)

4.2 ASX Appendix 4D

Cross Reference Index	Page
Details of Reporting Period and Previous Period (Rule 4.2A.3 Item No. 1)	**Inside Front Cover**
Results for Announcement to the Market (Rule 4.2A.3 Item No. 2)	**Inside Front Cover**
Net Tangible Assets per Security (Rule 4.2A.3 Item No. 3)	**144**
Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No.4)	**137**
Dividends (Rule 4.2A.3 Item No. 5)	**135**
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Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)	**137**
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Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No.9)	**137**

Details of entities over which control was gained and lost during the period (Rule 4.2A.3 Item No.4)

On 30 September 2022, the Group ceased control over Commonwealth Insurance Limited.

Details of Associates and Joint Ventures (Rule 4.2A.3 Item No. 7)

As at 31 December 2022	Ownership Interest Held (%)
Superannuation and Investments HoldCo Pty Limited	45%
Lendi Group Pty Ltd	42%
Payble Pty Ltd	39%
Countplus Limited	36%
Amber Electric Pty Ltd	27%
More Telecom Pty Ltd	25%
Tangerine Telecom Pty Ltd	25%
PEXA Group Limited	24%
Carousale Pty Ltd	23%
Gift Card Co Pty Ltd	22%
Trade Window Holdings Limited	22%
Vietnam International Commercial Joint Stock Bank	20%
Australian Business Growth Fund Pty Ltd	19%
Payments NZ Limited	19%
Lygon 1B Pty Ltd	16%
Qilu Bank Co., Ltd.	16%
Silicon Quantum Computing Pty Ltd	16%
AXIS IP Pty Ltd	13%

Foreign Entities (Rule 4.2A.3 Item No.8)

Not applicable.

Independent auditor's review report subject to a modified opinion, emphasis of matter or other matter (Rule 4.2A.3 Item No.9)

Not applicable.

4.3 Profit Reconciliation

Non-cash items are excluded from net profit after tax ("cash basis"), which is management's preferred measure of the Group's financial performance, as they tend to be non-recurring in nature or are not considered representative of the Group's ongoing financial performance. The impact of these items on the Group's net profit after tax ("statutory basis") is outlined below and treated consistently with the prior financial year. A description of these items is provided below.

	Half Year Ended 31 December 2022			
Profit Reconciliation	**Net profit after tax "cash basis" $M**	Gain/(loss) on disposal and acquisition of controlled entities [1] $M	Hedging and IFRS volatility $M	**Net profit after tax "statutory basis" $M**
Group				
Interest income [2]	**19,625**	–	–	**19,625**
Interest expense	**(7,988)**	–	–	**(7,988)**
Net interest income	**11,637**	–	–	**11,637**
Other operating income	**1,956**	320	35	**2,311**
Total operating income	**13,593**	320	35	**13,948**
Operating expenses	**(5,773)**	(219)	–	**(5,992)**
Loan impairment expense	**(511)**	–	–	**(511)**
Net profit before tax	**7,309**	101	35	**7,445**
Corporate tax expense	**(2,156)**	(50)	(23)	**(2,229)**
Net profit after income tax from continuing operations	**5,153**	51	12	**5,216**
Net profit after income tax from discontinued operations [3]	**10**	(81)	–	**(71)**
Net profit after income tax	**5,163**	(30)	12	**5,145**

1 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
2 Interest income includes total effective interest income and other interest income.
3 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Gain/(loss) on disposal and acquisition of controlled entities

Gains and losses on these transactions are inclusive of foreign exchange impacts, impairments, restructuring, separation and transactions costs and cover both controlled businesses and associates.

Hedging and IFRS volatility

Hedging and IFRS volatility represents timing differences between fair value movements on qualifying economic hedges and the underlying exposure. They do not affect the Group's performance over the life of the hedge relationship, and are recognised over the life of the hedged transaction. To qualify as an economic hedge the terms and/or risk profile must match or be substantially the same as the underlying exposure.

Appendices (continued)

4.3 Profit Reconciliation (continued)

Profit Reconciliation	Half Year Ended 30 June 2022 [1]			
	Net profit after tax "cash basis" $M	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	**Net profit after tax "statutory basis" $M**
Group				
Interest income [3]	**12,294**	–	–	**12,294**
Interest expense	**(2,569)**	–	–	**(2,569)**
Net interest income	**9,725**	–	–	**9,725**
Other operating income	**2,857**	(11)	198	**3,044**
Total operating income	**12,582**	(11)	198	**12,769**
Operating expenses	**(5,938)**	(75)	–	**(6,013)**
Loan impairment benefit	**282**	–	–	**282**
Net profit before tax	**6,926**	(86)	198	**7,038**
Corporate tax (expense)/benefit	**(2,077)**	45	(74)	**(2,106)**
Net profit after income tax from continuing operations	**4,849**	(41)	124	**4,932**
Net profit after income tax from discontinued operations [4]	**13**	(44)	–	**(31)**
Net profit after income tax	**4,862**	(85)	124	**4,901**

1 Comparative information has been restated to conform to presentation in the current period.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Appendices (continued)

4.3 Profit Reconciliation (continued)

	Half Year Ended 31 December 2021 [1]			
Profit Reconciliation	**Net profit after tax "cash basis" $M**	Gain/(loss) on disposal and acquisition of controlled entities [2] $M	Hedging and IFRS volatility $M	**Net profit after tax "statutory basis" $M**
Group				
Interest income [3]	**11,999**	–	–	**11,999**
Interest expense	**(2,251)**	–	–	**(2,251)**
Net interest income	**9,748**	–	–	**9,748**
Other operating income	**2,359**	83	(23)	**2,419**
Total operating income	**12,107**	83	(23)	**12,167**
Operating expenses	**(5,490)**	(106)	–	**(5,596)**
Loan impairment benefit	**75**	–	–	**75**
Net profit before tax	**6,692**	(23)	(23)	**6,646**
Corporate tax (expense)/benefit	**(1,946)**	34	7	**(1,905)**
Net profit after income tax from continuing operations	**4,746**	11	(16)	**4,741**
Net profit after income tax from discontinued operations [4]	**100**	1,029	–	**1,129**
Net profit after income tax	**4,846**	1,040	(16)	**5,870**

1 Comparative information has been restated to conform to presentation in the current period.
2 These amounts include post-completion adjustments (such as purchase price adjustments, and finalisation of accounting adjustments for goodwill and foreign currency reserve recycling), and transaction and separation costs associated with the previously announced divestments.
3 Interest income includes total effective interest income and other interest income.
4 Statutory net profit after income tax from discontinued operations is presented net of non-controlling interests.

Appendices (continued)

4.4 Analysis Template

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**5,153**	4,849	4,746
Average number of shares (M) - "cash basis"	**1,695**	1,704	1,740
Earnings Per Share basic - "cash basis" (cents)	**304. 1**	284. 5	272. 8
Net profit after tax - "statutory basis"	**5,216**	4,932	4,741
Average number of shares (M) - "statutory basis"	**1,695**	1,704	1,740
Earnings Per Share basic - "statutory basis" (cents)	**307. 8**	289. 4	272. 5
Interest expense (after tax) - PERLS VII	**33**	25	24
Interest expense (after tax) - PERLS VIII	**–**	–	12
Interest expense (after tax) - PERLS IX	**–**	12	25
Interest expense (after tax) - PERLS X	**29**	18	17
Interest expense (after tax) - PERLS XI	**35**	23	22
Interest expense (after tax) - PERLS XII	**32**	20	19
Interest expense (after tax) - PERLS XIII	**22**	13	12
Interest expense (after tax) - PERLS XIV	**33**	10	–
Interest expense (after tax) - PERLS XV	**9**	–	–
Profit impact of assumed conversions (after tax)	**193**	121	131
Weighted average number of shares - PERLS VII (M)	**27**	31	30
Weighted average number of shares - PERLS VIII (M)	**–**	–	8
Weighted average number of shares - PERLS IX (M)	**–**	9	16
Weighted average number of shares - PERLS X (M)	**15**	14	14
Weighted average number of shares - PERLS XI (M)	**17**	16	16
Weighted average number of shares - PERLS XII (M)	**18**	17	16
Weighted average number of shares - PERLS XIII (M)	**13**	12	12
Weighted average number of shares - PERLS XIV (M)	**19**	9	–
Weighted average number of shares - PERLS XV (M)	**5**	–	–
Weighted average number of shares - Employee share plans (M)	**2**	2	2
Weighted average number of shares - dilutive securities (M)	**116**	110	114
Net profit after tax - "cash basis"	**5,153**	4,849	4,746
Add back profit impact of assumed conversions (after tax)	**193**	121	131
Adjusted diluted profit for EPS calculation	**5,346**	4,970	4,877
Average number of shares (M) - "cash basis"	**1,695**	1,704	1,740
Add back weighted average number of shares (M)	**116**	110	114
Diluted average number of shares (M)	**1,811**	1,814	1,854
Earnings Per Share diluted - "cash basis" (cents)	**295. 2**	274. 0	263. 0
Net profit after tax - "statutory basis"	**5,216**	4,932	4,741
Add back profit impact of assumed conversions (after tax)	**193**	121	131
Adjusted diluted profit for EPS calculation	**5,409**	5,053	4,872
Average number of shares (M) - "statutory basis"	**1,695**	1,704	1,740
Add back weighted average number of shares (M)	**116**	110	114
Diluted average number of shares (M)	**1,811**	1,814	1,854
Earnings Per Share diluted - "statutory basis" (cents)	**298. 7**	278. 5	262. 8

1 Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

4.4 Analysis Template (continued)

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
Ratios - Output Summary (including discontinued operations)	**$M**	$M	$M
Earnings Per Share (EPS)			
Net profit after tax - "cash basis"	**5,163**	4,862	4,846
Average number of shares (M) - "cash basis"	**1,695**	1,704	1,740
Earnings Per Share basic - "cash basis" (cents)	**304. 7**	285. 3	278. 5
Net profit after tax - "statutory basis"	**5,145**	4,901	5,870
Average number of shares (M) - "statutory basis"	**1,695**	1,704	1,740
Earnings Per Share basic - "statutory basis" (cents)	**303. 6**	287. 6	337. 4
Interest expense (after tax) - PERLS VII	**33**	25	24
Interest expense (after tax) - PERLS VIII	**–**	–	12
Interest expense (after tax) - PERLS IX	**–**	12	25
Interest expense (after tax) - PERLS X	**29**	18	17
Interest expense (after tax) - PERLS XI	**35**	23	22
Interest expense (after tax) - PERLS XII	**32**	20	19
Interest expense (after tax) - PERLS XIII	**22**	13	12
Interest expense (after tax) - PERLS XIV	**33**	10	–
Interest expense (after tax) - PERLS XV	**9**	–	–
Profit impact of assumed conversions (after tax)	**193**	121	131
Weighted average number of shares - PERLS VII (M)	**27**	31	30
Weighted average number of shares - PERLS VIII (M)	**–**	–	8
Weighted average number of shares - PERLS IX (M)	**–**	9	16
Weighted average number of shares - PERLS X (M)	**15**	14	14
Weighted average number of shares - PERLS XI (M)	**17**	16	16
Weighted average number of shares - PERLS XII (M)	**18**	17	16
Weighted average number of shares - PERLS XIII (M)	**13**	12	12
Weighted average number of shares - PERLS XIV (M)	**19**	9	–
Weighted average number of shares - PERLS XV (M)	**5**	–	–
Weighted average number of shares - Employee share plans (M)	**2**	2	2
Weighted average number of shares - dilutive securities (M)	**116**	110	114
Net profit after tax - "cash basis"	**5,163**	4,862	4,846
Add back profit impact of assumed conversions (after tax)	**193**	121	131
Adjusted diluted profit for EPS calculation	**5,356**	4,983	4,977
Average number of shares (M) - "cash basis"	**1,695**	1,704	1,740
Add back weighted average number of shares (M)	**116**	110	114
Diluted average number of shares (M)	**1,811**	1,814	1,854
Earnings Per Share diluted - "cash basis" (cents)	**295. 8**	274. 7	268. 4
Net profit after tax - "statutory basis"	**5,145**	4,901	5,870
Add back profit impact of assumed conversions (after tax)	**193**	121	131
Adjusted diluted profit for EPS calculation	**5,338**	5,022	6,001
Average number of shares (M) - "statutory basis"	**1,695**	1,704	1,740
Add back weighted average number of shares (M)	**116**	110	114
Diluted average number of shares (M)	**1,811**	1,814	1,854
Earnings Per Share diluted - "statutory basis" (cents)	**294. 8**	276. 8	323. 6

1 Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

4.4 Analysis Template (continued)

	Half Year Ended [1]		
Dividends Per Share (DPS)	**31 Dec 22**	30 Jun 22	31 Dec 21
Dividends (including discontinued operations)	**$M**	$M	$M
Dividends per share (cents) - fully franked	**210**	210	175
No. of shares at end of period excluding Treasury shares deduction (M)	**1,688**	1,702	1,706
Total dividends ($M) [2]	**3,546**	3,573	2,986
Dividend payout ratio - "cash basis"			
Net profit after tax - attributable to ordinary shareholders ($M)	**5,163**	4,862	4,846
Total dividends ($M) [2]	**3,546**	3,573	2,986
Payout ratio - "cash basis" (%) [2]	**68. 7**	73. 5	61. 6
Dividend cover			
Net profit after tax - attributable to ordinary shareholders ($M)	**5,163**	4,862	4,846
Total dividends ($M) [2]	**3,546**	3,573	2,986
Dividend cover - "cash basis" (times)	**1. 5**	1. 4	1. 6

1 Calculations are based on actual numbers prior to rounding to the nearest million.
2 Total dividends and payout ratio are calculated based on the closing number of shares for the respective periods.

	Half Year Ended [1]		
	31 Dec 22	30 Jun 22	31 Dec 21
Ratios - Output Summary (continuing operations basis)	**$M**	$M	$M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**72,690**	73,750	76,675
Less:			
Average non-controlling interests	**(5)**	(5)	(5)
Net average equity	**72,685**	73,745	76,670
Net profit after tax - "cash basis"	**5,153**	4,849	4,746
ROE - "cash basis" (%)	**14. 1**	13. 3	12. 3
Return on Equity - "statutory basis"			
Average net assets	**72,690**	73,750	76,675
Average non-controlling interests	**(5)**	(5)	(5)
Average equity	**72,685**	73,745	76,670
Net profit after tax - "statutory basis"	**5,216**	4,932	4,741
ROE - "statutory basis" (%)	**14. 2**	13. 5	12. 3

1 Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

4.4 Analysis Template (continued)

Ratios - Output Summary (including discontinued operations)	Half Year Ended [1] 31 Dec 22 $M	30 Jun 22 $M	31 Dec 21 $M
Return on Equity (ROE)			
Return on Equity - "cash basis"			
Average net assets	**72,690**	73,750	76,675
Less:			
Average non-controlling interests	**(5)**	(5)	(5)
Net average equity	**72,685**	73,745	76,670
Net profit after tax - "cash basis"	**5,163**	4,862	4,846
ROE - "cash basis" (%)	**14. 1**	13. 3	12. 5
Return on Equity - "statutory basis"			
Average net assets	**72,690**	73,750	76,675
Average non-controlling interests	**(5)**	(5)	(5)
Average equity	**72,685**	73,745	76,670
Net profit after tax - "statutory basis"	**5,145**	4,901	5,870
ROE - "statutory basis" (%)	**14. 0**	13. 4	15. 2
Net Tangible Assets per share			
Net assets	**72,543**	72,838	74,663
Less:			
Intangible assets	**(7,136)**	(6,934)	(7,108)
Non-controlling interests	**(5)**	(5)	(5)
Total net tangible assets	**65,402**	65,899	67,550
No. of shares at end of period excluding Treasury shares deduction (M)	**1,688**	1,702	1,706
Net Tangible Assets per share ($)	**38. 74**	38. 73	39. 59

1 Calculations are based on actual numbers prior to rounding to the nearest million.

Appendices (continued)

4.5 Foreign Exchange Rates

Exchange Rates Utilised [1]	Currency	As at 31 Dec 22	As at 30 Jun 22	As at 31 Dec 21
AUD 1.00 =	USD	**0. 6779**	0. 6879	0. 7260
	EUR	**0. 6364**	0. 6576	0. 6411
	GBP	**0. 5625**	0. 5666	0. 5376
	NZD	**1. 0714**	1. 1073	1. 0628
	JPY	**89. 9702**	93. 8510	83. 5572

1 End of day, Sydney time.

Average Exchange Rates Utilised	Currency	Half Year Ended 31 Dec 22	Half Year Ended 30 Jun 22	Half Year Ended 31 Dec 21
AUD 1.00 =	USD	**0. 6705**	0. 7196	0. 7318
	EUR	**0. 6613**	0. 6584	0. 6301
	GBP	**0. 5704**	0. 5543	0. 5368
	NZD	**1. 1019**	1. 0849	1. 0489
	JPY	**93. 6745**	88. 4797	81. 8715

Appendices (continued)

4.6 Definitions

Glossary of Terms

Term	Description
Bankwest	Bankwest is active in all domestic market segments, with lending diversified between the business, rural, housing and personal markets, including a full range of deposit products. The retail banking activities conducted under the Bankwest brand are consolidated into Retail Banking Services, and the business banking activities conducted under the Bankwest brand are consolidated into Business Banking.
Business Banking	Business Banking serves the banking needs of business, corporate and agribusiness customers across the full range of financial services solutions, as well as providing equities trading and margin lending services through the CommSec business. Business Banking includes the financial results of business banking activities conducted under the Bankwest brand.
Corporate Centre and Other	Corporate Centre and Other includes the results of the Group's centrally held minority investments and subsidiaries, Group-wide remediation costs, investment spend including enterprise-wide infrastructure and other strategic projects, employee entitlements, and unallocated revenue and expenses relating to the Bank's support functions including Treasury, Investor Relations, Group Strategy, Legal and Corporate Affairs and Bank-wide elimination entries arising on consolidation.
Corporations Act	*Corporations Act 2001* (Cth).
Dividend payout ratio ("cash basis")	Dividends paid on ordinary shares divided by net profit after tax ("cash basis").
Dividend payout ratio ("statutory basis")	Dividends paid on ordinary shares divided by net profit after tax ("statutory basis").
DPS	Dividend per share.
DRP	Dividend reinvestment plan.
DRP participation	The percentage of total issued capital participating in the dividend reinvestment plan.
Earnings per share (EPS) (basic)	Basic earnings per share is the net profit attributable to ordinary equity holders of the Bank, divided by the weighted average number of ordinary shares on issue during the period per the requirements of relevant accounting standards.
Earnings per share (EPS) (diluted)	Diluted earnings per share adjusts the net profit attributable to ordinary equity holders of the Bank and the weighted average number of ordinary shares on issue used in the calculation of basic earnings per share, for the effects of dilutive potential ordinary shares per the requirements of relevant accounting standards.
Institutional Banking and Markets	Institutional Banking and Markets provides a full range of domestic and global financing and banking services to large corporate, institutional and government clients, including debt capital markets, risk management, transaction banking, sustainable finance, structured capital solutions and working capital.
Interest rate risk in the banking book (IRRBB)	Interest Rate Risk in the Banking Book is the risk that the Bank's profit derived from Net Interest Income (interest earned less interest paid), in current and future periods, is adversely impacted by changes in interest rates. This is measured from two perspectives: quantifying the change in the net present value of the Balance Sheet's future earnings potential, and the anticipated change to the Net Interest Income earned over 12 months. This calculation is driven by APRA regulations with further detail outlined in the Group's Basel III Pillar 3 report.
Net profit after tax ("cash basis")	Represents net profit after tax and non-controlling interests before non-cash items including hedging and IFRS volatility, and gains or losses on acquisitions, disposal, closure, capital repatriation and demerger of controlled business, or associates that are not discontinued operations. This is management's preferred measure of the Group's financial performance.
Net profit after tax ("statutory basis")	Represents net profit after tax and non-controlling interests, calculated in accordance with Australian Accounting Standards. This is equivalent to the statutory item "Net profit attributable to Equity holders of the Bank".
Net Stable Funding Ratio (NSFR)	The NSFR more closely aligns the behaviour terms of assets and liabilities. It is the ratio of the amount of available stable funding (ASF) to the amount of required stable funding (RSF). ASF is the portion of an Authorised Deposit-taking Institution's (ADI) capital and liabilities expected to be a reliable source of funds over a one year time horizon. RSF is a function of the liquidity characteristics and residual maturities of an ADI's assets and off Balance Sheet activities.

Appendices (continued)

4.6 Definitions (continued)

Term	Description
Net tangible assets per share	Net assets excluding intangible assets, non-controlling interests and other equity instruments divided by ordinary shares on issue at the end of the period (excluding Treasury Shares deduction). Right of use assets are included in net tangible assets per share.
New Zealand	New Zealand includes the banking and funds management businesses operating under the ASB brand. ASB provides a range of banking, wealth and insurance products and services to personal, business, rural and corporate customers in New Zealand.
Operating expenses to total operating income	Represents operating expenses as a percentage of total operating income. The ratio is a key efficiency measure.
Other Overseas	Represents amounts booked in branches and controlled entities outside Australia and New Zealand.
Profit after capital charge (PACC)	The Group uses PACC, a risk-adjusted measure, as a key measure of financial performance. It takes into account the profit achieved, the risk to capital that was taken to achieve it, and other adjustments.
Retail Banking Services	Retail Banking Services provides banking and general insurance products and services to personal and private bank customers. Retail Banking Services also includes the financial results of retail banking activities conducted under the Bankwest brand. On 30 September 2022, the Group completed the sale of its Australian CommInsure General Insurance business.
Return on equity (“cash basis”)	Based on net profit after tax (“cash basis”) less other equity instruments’ distributions applied to average shareholders’ equity, excluding non-controlling interests and other equity instruments.
Return on equity (“statutory basis”)	Based on net profit after tax (“statutory basis”) less other equity instruments’ distributions applied to average shareholders’ equity, excluding non-controlling interests and other equity instruments.
Total Committed Exposure (TCE)	Total Committed Exposure is defined as the balance outstanding and undrawn components of committed facility limits. It is calculated before collateralisation and excludes settlement exposures on derivatives.
Weighted average number of shares	The calculation incorporates the bonus element of any rights issue, discount element of any DRP and excludes “Treasury Shares” related to investments in the Bank’s shares held for future issuance at vesting of related share based payment awards.

Appendices (continued)

4.6 Definitions (continued)

Market Share Definitions

Retail Banking Services	
Home loans (APRA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics, **divided by** APRA Monthly ADI Statistics back series.
Home Loans (RBA)	CBA Loans to individuals that are Owner Occupied and Investment Home Loans as per APRA monthly ADI Statistics + separately reported subsidiaries: Wallaby Trust, Residential Mortgage Group P/L, **divided by** RBA Financial Aggregates Owner Occupied and Investor Home Lending (includes ADIs and RFCs).
Credit cards (APRA)	CBA Personal Credit Card Lending (APRA), **divided by** Loans to Households: Credit Cards (APRA Monthly ADI Statistics back series).
Consumer finance (other household lending)	CBA Lending to individuals which includes: Personal Loans, Margin Lending, Personal Leasing, Revolving Credit, Overdrafts, and Home Loans for personal purposes, **divided by** Loans to Households: Other (APRA Monthly ADI Statistics back series).
Household deposits	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for Households (individuals) excluding Self-Managed Super Funds (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Households (APRA Monthly ADI Statistics back series).
Business Banking	
Business lending (APRA)	CBA Total Loans to residents as reported under APRA definitions for the Non-Financial Businesses sector (as per lending balances submitted to APRA in ARF720.1A ABS/RBA Loans and Finance Leases) (this includes some Housing Loans to businesses), **divided by** Loans to Non-Financial Businesses (APRA Monthly ADI Statistics back series).
Business lending (RBA)	CBA Business Lending and Credit: specific “business lending” categories in lodged APRA returns – ARF720.1A ABS/RBA Loans and Finance Leases, ARF720.7 ABS/RBA Bill Acceptances and Endorsements, excluding sub-categories of RBA, ADIs, RFCs and Central Borrowing Authorities, and the category of General Government, **divided by** RBA Total Business Lending (adjusted for series breaks).
Business deposits (APRA)	Total CBA transaction and non-transaction account deposit balances from residents as reported under APRA definitions for the Non-Financial Businesses sector (as per deposit balances submitted to APRA in ARF720.2A Deposits), **divided by** Deposits from Non-Financial Businesses (from APRA Monthly ADI Statistics back series).
Equities trading	Twelve months rolling average of Australian equities traded value by CommSec, **divided by** Twelve months rolling average of total Australian equities market traded value.

Appendices (continued)

4.6 Definitions (continued)

Market Share Definitions

New Zealand	
Home loans	All ASB residential mortgages for owner occupier and residential investor property use, **divided by** Total New Zealand residential mortgages for owner occupier and residential investor property use of all New Zealand registered banks (from RBNZ).
Customer deposits	All resident and non-resident deposits on ASB Balance Sheet, **divided by** Total resident and non-resident deposits of all New Zealand registered banks (from RBNZ).
Business lending	All New Zealand Dollar loans for business use on ASB Balance Sheet excluding agriculture loans, **divided by** Total New Zealand Dollar loans for business use of all New Zealand registered banks excluding agriculture loans (from RBNZ).